

Governance for value creation

Our governance processes and practices steer us in the right direction with the pillars of exemplary corporate citizenship – transparency, accountability and integrity – as our guides.

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Our leadership

Board of directors

The board is responsible for setting the strategic direction, supervising the operational activities of Exxaro and its performance while balancing the company's interests as a responsible corporate citizen with the legitimate needs and expectations of stakeholders. For the year in review, we are proud to present the following board members:

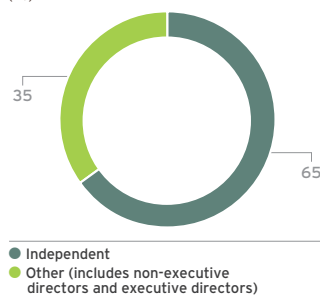


1	2	3	4	5	6	7	8
<p>1. Mvuleni Geoffrey Qhena (57)</p> <p>Board chairperson and independent non-executive director, nomination committee chairperson and remuneration committee member</p> <p>Director since 19 April 2021 and board chairman from 27 May 2021</p> <p>B NOM REM</p>	<p>2. Dr Geraldine Fraser-Moleketi (62)</p> <p>Lead independent non-executive director, SERC chairperson and remuneration committee and nomination committee member</p> <p>Director since 18 May 2018</p> <p>SER REM NOM</p>	<p>3. Karin Ireton (67)</p> <p>Independent non-executive director and SERC member</p> <p>Director since 7 February 2022</p> <p>SER</p>	<p>4. Ben Magara (55)</p> <p>Independent non-executive director and risk and business resilience (RBR) committee member</p> <p>Director since 7 February 2022</p> <p>RBR</p>	<p>5. Billy Mawasha (44)</p> <p>Independent non-executive director, investment committee member and audit committee member</p> <p>Director since 7 February 2022</p> <p>I A</p>	<p>6. Nondumiso Medupe (52)</p> <p>Independent non-executive director and audit committee member</p> <p>Appointed 3 January 2023</p> <p>A</p>	<p>7. Dr Phumla Mnganga (54)</p> <p>Independent non-executive director, remuneration committee chairperson and nomination committee member</p> <p>Director since 7 February 2022</p> <p>REM NOM</p>	<p>8. Isaac Mophatlane (49)</p> <p>Independent non-executive director, investment committee chairperson, audit committee member and SERC member</p> <p>Director since 22 May 2018</p> <p>I A SER</p>

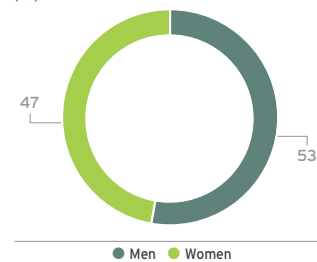
Chairperson

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

Independence (%)



Gender (%)



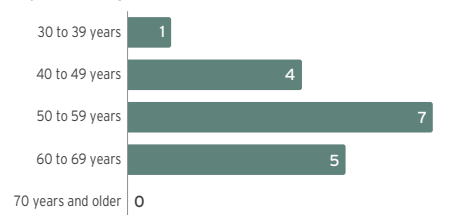
Member

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

Director tenure



Age diversity (%): Number of directors (17)





9

10

11

12

13

14

15

16

17

9. Vuyisa Nkonyeni (53)

Independent non-executive director, audit committee chairperson and investment committee member

Director since 3 June 2014



10. Chanda Nxumalo (39)

Independent non-executive director, audit committee member, RBR committee member and investment committee member

Director since 1 February 2021



11. Peet Snyders (62)

Independent non-executive director, RBR committee chairperson, SERC member and investment committee member

Director since 1 July 2016



12. Isaac Malevu (48)

Non-executive director and investment committee member

Director since 22 June 2021



13. Likhapha Mbatha (68)

Non-executive director and SERC member

Director since 6 March 2018



14. Zwelibanzi Mntambo (65)

Non-executive director, remuneration committee and nomination committee member

Director since 28 November 2006



15. Mandlesilo Msimang (46)

Non-executive director, investment committee member and RBR committee member

Director since 15 March 2021



16. Dr Nombasa Tsengwa (58)

CEO and executive committee chairperson

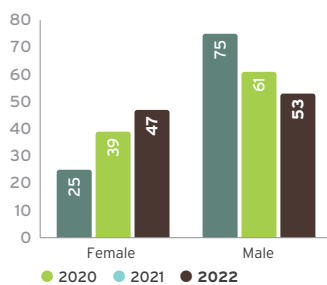
Executive director since 16 March 2021

17. Riaan Koppeschaar (52)

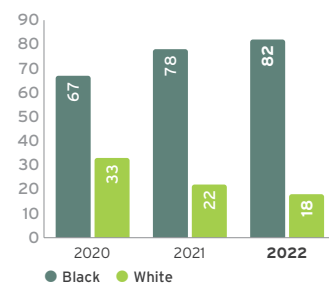
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Executive director since July 2016

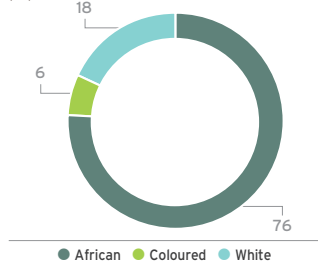
Gender diversity year-on-year (%)



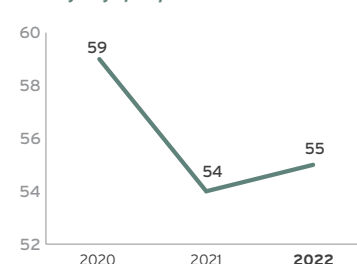
Racial diversity year-on-year (%)



Racial diversity (%)



Average age per year



The ESG report includes details on the [board's composition, diversity and experience](#) (page 110).

Our executive team

Working tirelessly to deliver on Exxaro's Sustainable Growth and Impact strategy, our executive team includes:



Dr Nombasa Tsengwa (58)

CEO



Riaan Koppeschaar (52)

Finance director



Hemuna Bhola (51)

Acting executive head:
human resources



Alex de Angelis (42)

Executive head:
strategy and business transformation



Leon Groenewald (56)

Managing director:
energy

Appointed March 2023



Kgabi Masia (47)

Managing director:
minerals



Johan Meyer (54)

Executive head:
projects and technology



Mzila Mthenjane (52)

Executive head:
stakeholder affairs



Mongezi Vetu (59)

Executive head:
sustainability



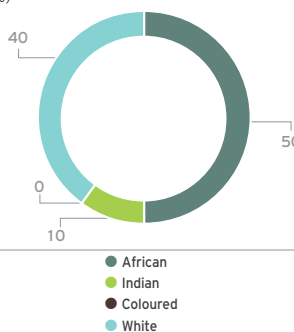
Andiswa Ndoni (55)

Group company secretary
(ex officio)

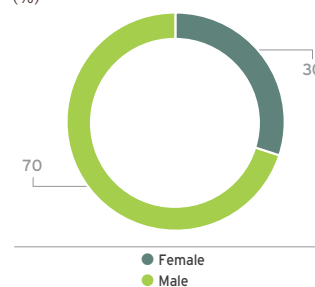
Executive age diversity



Executive race diversity (%)



Executive gender diversity (%)



The ESG report includes details on our [executive committee](#) (page 116).

Summarised governance report

The Exxaro 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.

Exxaro's board is the focal point and custodian of good corporate governance for the group. The board sets Exxaro's short, medium and long-term strategic direction through our  [Sustainable Growth and Impact strategy](#) (page 44). By approving a new capital allocation model and budget, setting and monitoring performance and culture expectations as well as a governance framework for the group, the board enables sustainable value creation.

At the core of Exxaro's corporate governance are principles that guide the board in meeting its responsibilities to the company, the group and its stakeholders. These principles enable the company to achieve the King IV governance outcomes and fulfil its purpose to power better lives in Africa and beyond.




In addition, through good governance, our board is committed to contributing positively to achieving SDG 16, which seeks to promote peaceful and inclusive societies for sustainable development, provide access for all, and build effective, accountable and inclusive institutions.

Ethical culture










The board therefore regards good corporate governance as fundamentally important to create value and achieve the above King IV governance outcomes in its own ethical and effective

leadership.  In line with King IV's recommendation to apply and explain how Exxaro practices good governance, we include our detailed King IV application register in the ESG report (page 142). This sets out each principle with an explanation of steps taken as well as Exxaro's policies and processes.

Material themes in focus

The following material themes received focused attention in 2022:

-  Adapting to a changing context
-  Responsible environmental stewardship
-  Building sustainable communities
-  Helping our people thrive
-  Executing our strategy
-  Driving business excellence
-  Principled governance

These material themes were addressed as described below.

CEO transition

The board welcomed Dr Nombasa Tsengwa as CEO of Exxaro from 1 August 2022, and expressed confidence in her expertise and leadership as Exxaro's first female CEO, taking the company further on its journey to achieving its Sustainable Growth and Impact strategy. She succeeds Mxolisi Mgojo who retired on 31 July 2022. The board thanked Mxolisi, who received a Business Leader of the Year award in 2022, for his invaluable contribution and wished him well in his retirement.

Board diversity and independence

The board expressed commitment to contributing to diversity, equity and inclusion in its composition, and to promote independent character and judgement within the board.

Performance and value creation



Adequate and effective control



Trust, good reputation and legitimacy



To this end, the board achieved the following outcomes:

- Identification of new directors to take over in future as chairpersons of board committees as part of succession planning
- The board continued to address independence, gender diversity as well as strategic skills, experience and competencies (including sustainability, ESG, human resource governance, energy and hard rock mining) in line with Exxaro's strategy and succession planning

The following directors were appointed:

Independent non-executive directors	Appointed
1 Karin Ireton	7 February 2022
2 Ben Magara	
3 Billy Mawasha	
4 Dr Phumla Mnganga	
5 Nondumiso Medupe	3 January 2023

Ras Myburgh, an independent non-executive director since 1 September 2016, indicated that he would not be available for re-election at the AGM on 25 May 2022 and retired by rotation. The board expressed sincere appreciation to Ras for his dedication, commitment, and invaluable contribution to Exxaro during his tenure as an independent non-executive director and chairperson of the remuneration committee.

Nondumiso Medupe's appointment as an independent non-executive director and audit committee member (effective 3 January 2023). Vuyisa Nkonyeni and Isaac Mophatlane will retire by rotation, as independent non-executive directors, with effect from the date of the AGM, being 18 May 2023.

 [Board composition, diversity and experience](#) (ESG report, page 110)

Summarised governance report continued

Governance roadshow 2022

Following two years of COVID-19 restrictions since the last governance roadshow in 2019, and in an attempt to improve ongoing engagement with shareholders, Exxaro held a three-day governance roadshow with equity shareholders in September 2022.

The purpose was to:

- Introduce Exxaro's new board leadership, represented by the chairpersons of the board and remuneration committee, accompanied by the group company secretary and executive head: stakeholder affairs
- Provide insight on the shareholder structure and returns, ESG performance, Sustainable Growth and Impact strategy, concrete plans to drive decarbonisation, the updated capital allocation model and response to society's needs
- Provide feedback to shareholders on progress in addressing concerns about executive remuneration and incentives raised during the 2019 governance roadshow
- Confirm the board's commitment to Exxaro's Sustainable Growth and Impact strategy, as communicated in September 2021, and listen to feedback about the strategy, capital allocation and other governance-related issues

Shareholders' views were considered and the board committed to continuing the annual governance roadshow to keep shareholders informed about progress in meeting the abovementioned commitments.

Climate change response

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

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

The board has oversight of climate-related impacts, risks and opportunities. This is included in the SERC and RBR committee terms of reference and annual work plans.

Actions that honoured this commitment in 2022 included:

- Exxaro continued implementing the National Energy Regulator of South Africa-registered 68MW Lephale solar project with the first phase of this multi-technology solution, designed for Grootegeeluk's demand profile, fast-tracked to reduce up to one third of the BU's scope 2 emissions and significantly save electricity costs
- Review of Exxaro's strategic objective (evident in total carbon abated) to realise our goal to be carbon neutral by 2050 through scope 1 and 2 emission reductions with current initiatives as well as other opportunities presented at COP27 and concrete plans to drive decarbonisation. The objective will be indicated by the total amount of carbon abated
- Review of the minerals diversification strategy in a low carbon future as growth in these future facing minerals become critical
- Exxaro to implement Taskforce on Nature-related Financial Disclosures pilot in the 2023 financial year
- To strengthen our GHG mitigation and business resilience efforts, water security, energy and water efficiency targets have been included as part of the group incentive scheme in 2022

 [Climate Change Response strategy](#) (2020 investor tab)

 [Governance oversight of climate change](#) (ESG report, page 13)


Strategic direction

As sustained value creation is founded on good governance and on responsiveness to significant social and environmental challenges, our strategy is continuously monitored and assessed, and formally presented to the board for approval at least once a year. Before executive leadership's strategy presentation to the board, iterative strategy workshops, following bottom-up process, and board governance sessions afford integration of inputs into the group strategy. The board therefore supports King IV principles regarding strategy setting through an iterative process.


As part of the strategy process, a risk and opportunity assessment is conducted, including emerging risks and assessment of material sustainability issues.

Top five risks at the end of 2022:

1	Unavailability of current rail capacity
2	Eskom systemic risk
3	Community unrest
4	Cybersecurity threats
5	Health and safety concerns

 [Our business risks and opportunities](#) (page 26) and [our strategy: positioning Exxaro for sustainable growth and impact](#) (page 44)

Diversity, equity and inclusion strategy

 Exxaro's [diversity, equity and inclusion strategy](#) (ESG report, page 68) supports the achievement of our transformation commitments through employment plans, Mining Charter III targets and the B-BBEE scorecard that uphold our licence to operate.

The board approved the strategy in July 2022 when diversity, equity and inclusion principles, strategic priority areas and success measures were identified. The concept of "equity" was added as a key success factor for diversity, equity and inclusion within Exxaro. The strategic objectives include gender identity and equity, racial equity, disability competence, inclusive culture, external inclusivity, leadership, and communication.


Our diversity, equity and inclusion principles include:

1	Promoting an environment of respect for all
2	Building an environment of trust
3	Establishing processes free from prejudices
4	Zero tolerance of discrimination and harassment
5	Promoting diversity, equity and inclusion

Exxaro's gender equality charter (launched in 2021) was enhanced with our anti-gender-based violence (GBV) footprint and implemented in the first quarter of 2022.

 [Outcomes and value delivered](#) (ESG report, page 24)

Corporate calendar 2022

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Approved the group's annual financial statements and final dividend declaration	Approved re-pacing of the Sustainable Growth and Impact strategy relating to minerals and energy as well as capital allocation	<ul style="list-style-type: none"> Considered the going concern assessment Approved the assessment of the group's liquidity and solvency in the context of distribution to shareholders and trading statement 	Mandated management's COP27 participation
<ul style="list-style-type: none"> Considered the going concern assessment Approved the assessment of the group's liquidity and solvency in the context of distribution to shareholders and trading statement 	Information management deep dive: information management strategy, governance processes, risk management, applications and current initiatives	Approved the group interim financial results and interim dividend declaration	 Deliberated and approved the group's Social Impact strategy (ESG report, page 78)
Considered and approved: <ul style="list-style-type: none"> Board committee composition Rotation and independence of directors Group company secretary evaluation Prescribed officer determination 	Considered amended conflicts of interest, gifts and benefits policies	<ul style="list-style-type: none"> Considered delegation of authority policy and framework amendments Reviewed board committee terms of reference 	Approved the consolidated group annual budget
<ul style="list-style-type: none"> Approved the governance report to be included in the ESG and integrated reports Considered the JSE compliance certificate 	Held the group's third hybrid AGM	Governance roadshow	Approved group delegation of authority and human rights policy
Executed return-to-work action plans to minimise production impact, focusing on cost containment and productivity	<ul style="list-style-type: none"> Strategy sessions First governance session 	Stakeholder days	Second governance session

Summarised governance report continued

Governance that supports our sustainability drive

“We conduct our business activities in a way that creates success for Exxaro and society. From how we mine to what we mine, we are stewarding our natural assets and social capital to uplift our communities.” Dr Nombasa Tsengwa

The company recognises that it forms part of an interrelated community. As such, it may have positive and negative impacts on society and the global SDGs. Exxaro believes that investing responsibly and strategically in commodities will help sustain life on the continent, and is committed to being an environmentally responsible organisation, driving sustainability throughout our business while building on our delivery track record.

The board sets the ultimate direction for sustainability considerations, including committee and individual responsibilities for oversight of sustainability-related impacts, risks and opportunities by ensuring these are reflected in board and committee terms of reference, annual work plans, and other relevant policies and processes.

The board’s oversight of sustainability is best illustrated by the distribution of ESG matters among the respective board committees reporting to our board (as outlined below).

Board and board committee oversight of ESG matters (per committee terms of reference and captured in annual work plans):

	Audit	Investment	Nomination	Remuneration	RBR	SERC
Environmental						
Climate change		X			X	X
GHG emissions					X	X
Energy, water and waste					X	X
Pollution					X	X
Environmental compliance					X	X
Biodiversity and land use					X	X
Resource scarcity		X			X	X
Social						
CSI				X	X	X
Training and education				X		X
Diversity and equal opportunity				X	X	X
Non-discrimination				X	X	X
Human rights				X	X	X
Health and safety				X	X	X
Privacy and security	X				X	X
Labour relations				X	X	X
Local community impact		X			X	X
Governance						
Board diversity and structure			X			X
Board performance			X			
Ethical culture	X		X			X
Executive pay			X	X		
Anti-bribery and anti-corruption	X				X	X
Audit and assurance	X				X	X
Stakeholder engagement	X		X	X		X
Procurement practice	X				X	X
Risk management	X	X			X	
Regulatory compliance	X		X	X	X	X
Internal policies	X			X	X	X
Information technology governance	X				X	
Tax transparency	X					

Ethical culture

Statement of strategic ethical intent: Exxaro aspires to build an ethical culture based on Exxaro's values. To do this, Exxaro is committed to operating ethically by living the Exxaro values with dignity, transparency, consistency, fairness and respect in all that we do.

Ethical commitment

Recognising that our public reputation is one of our most important assets, the organisation is committed to achieving the highest ethical standards. We recognise our obligations to our stakeholders, particularly shareholders, clients, employees, business partners, competitors, authorities, the environment and the wider community. Maintaining the trust and confidence of our stakeholders is the responsibility of every Exxaro employee. As Exxaro is committed to doing the right thing, even when no one is watching, our employees are expected to be able to distinguish between right and wrong, and commit to what is right. By emphasising our ethical commitment, we continue to grow as a business.

Ethics management strategy

Building organisational ethics is a journey. Our board assumes responsibility for ensuring that organisational ethics is managed effectively and governs the group's ethics to support the establishment of an ethical culture. In line with this responsibility, the board adopted a statement of strategic ethical intent as well as an ethics management strategy. The strategy sets out various strategic focus areas as well as interventions to be implemented and overseen by the group executive committee and management ethics committee. The following strategic focus areas have been identified:

- Ethics awareness
- Ethics accountability and responsibility
- Ethics talk
- Senior management, management and employee commitment to ethics
- Unfair people practices

Code of ethics

Our code of ethics confirms that the organisation's ethical principles promote values such as trust, acceptable behaviour and fairness.

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

The following fundamental values are expressed in the code of ethics:

- Empowered to grow and contribute
- Teamwork
- Committed to excellence
- Honest responsibility

Our group policies and procedures, relating to specific issues, processes and situations, support the code of ethics. The following policies (with several reviewed in 2022), among others, support an ethical culture:

- Code of ethics
- Anti-bribery and anti-corruption
- Conflicts of interest
- Exxaro's supplier code of conduct
- Fraud prevention
- Fraud investigation process
- Fraud response
- Gifts and benefits from suppliers
- Recruitment and selection

- Whistleblowing
- Insider dealing
- Political donations
- Nepotism
- Diversity, equity and inclusion framework (including people with disabilities policy and gender equity charter)

Monitoring ethical culture

The board monitors the group's ethical culture through its reporting structures, including two board committees (SERC and audit committee), the ethics management committee, the internal audit function, chief audit officer and newly appointed chief ethics officer.

An independent risk assessment by The Ethics Institute in 2021 to measure the state of ethics at Exxaro, focusing on ethical behaviour and ethical culture, recommended that an ethics strategy and management plan be designed to enable Exxaro to actively manage ethics and address identified concerns.

A detailed ethics strategy and management plan were designed and approved by the board upon recommendation by the ethics committee, executive committee and SERC.

The risk assessment also measured employees' ethical behaviour defined as the frequency with which employees observe unethical behaviour on a day-to-day basis in Exxaro. Exxaro group ranked 91 out of 100, which is unethical conduct never observed or rarely observed, and therefore considered low risk. Behavioural risks encountered frequently by employees included bypassing rules and unfair people practices. These risks are addressed in the ethics strategy and management plan.

Ethics talk

Informed by the Companies Act, King IV and strategic focus areas identified in the ethics management strategy, the group company secretary started 2022 by distributing a governance newsletter, focusing on ethical culture, to the board. The newsletter highlighted:

- Ethics is not only compliance with policies, rules and regulations but integrity in doing the right thing because one believes that it is the right thing to do
- Ethical conduct is required of individual directors and the board as a collective

Organisation for Economic Co-operation and Development recommendations related to ethical behaviour


ENSAfrica conducted an ISO 37001 readiness assessment in 2018 and identified a gap in ensuring that new third-party exposures are assessed as part of a due diligence process. Exxaro has since introduced due diligence processes for suppliers, customers, employees and business partners.

A comprehensive evaluation of the fraud hotline in 2020 identified areas needing improvement such as the composition of the management ethics committee, a process for tabling forensic reports, monitoring BU investigations and updating escalation protocols. All the recommendations have been addressed and reaudited to the satisfaction of the internal auditor. As part of this, Exxaro is committed to an independent review of the hotline every three years. The next audit is in 2024.

In addition, the ethics management training, and anti-bribery and anti-corruption programmes were reviewed, and the executive committee approved an updated anti-bribery and anti-corruption programme.

Ethical culture continued


Fraud and ethics hotline

We encourage employees and stakeholders to report suspected fraud or corruption to Exxaro's  [fraud and ethics hotline](#) (ESG report, page 128).

The hotline is independently managed and reports to the SERC and management's ethics committee.

Due to the importance of retaining the integrity of the hotline, it is necessary for Exxaro to, as far as reasonably possible, protect the interests of the disclosing parties. As the hotline plays an important role in combating fraudulent activities, Exxaro has successfully defended a court application for the disclosure of an anonymous complaint, which could have undermined the system's confidentiality.

Supplier ethics

-  The [supplier code of conduct](#) (supplier tab) was developed to assist employees in selecting suppliers who operate in a manner consistent with Exxaro's values and relevant standards
- The code aims to communicate Exxaro's mandatory selection standards to prospective suppliers
- In addition, it promotes the company's commitment to ethical conduct among suppliers
- As part of the supply chain pre-qualification process, suppliers must disclose details of shareholders, directors and other associates who are current or former Exxaro employees in compliance with the conflicts of interest policy
- Employees who evaluate requests for proposals or recommend contract awards must declare that they have neither an interest in nor a close relationship with the supplier that may be construed as a conflict of interest

Board charter and code of conduct

Our board charter and code of conduct (board charter) regulates the parameters in which the board operates and ensures the application of good corporate governance principles in all dealings in respect and on behalf of the company and the group. It sets out the roles and responsibilities of the board, individual directors, chairperson, CEO, lead independent non-executive director and group company secretary.

The board charter requires board members to be individuals of calibre, integrity and credibility with the necessary skills and experience.

The nomination committee must ensure continuity of directorships and undertake succession planning on behalf of the board. This includes identification, mentorship and development of future candidates.

The board charter was reviewed in 2022 to include consideration by the board of the need for periodic independent assurance in respect of areas such as:

- Infrastructure, information technology and systems
- Sound governance of the company including corporate governance, risk management, ethics and internal controls
- Compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

Focused governance sessions

The group company secretary hosts two annual, fixed, governance-related intervention sessions for the board, to which the executive leadership is also invited. These sessions are an opportunity to provide directors with a deeper understanding of corporate governance matters, including an opportunity to focus on new regulations or amendments to the regulatory environment within which Exxaro operates. These sessions are included in the annual corporate calendar to ensure maximum attendance by directors.

The themes of the two governance sessions in 2022 were:

- Regulatory framework I (the regulatory universe applicable to directors and prescribed officers as well as proposed amendments to energy regulation)
- Regulatory framework II (competition law and amendments to the debt and equity listing requirements)

Avoiding conflicts of interest

In terms of the Companies Act and King IV, directors and prescribed officers have specific duties regarding disclosure of actual direct and indirect conflicts of personal financial interests as well as the perception of a conflict, including that of their related parties.

The group has a conflicts of interest policy, which was extensively reviewed in 2022. Focus was on line managers and management assessing declarations received from employees. Additional clarifications and guiding principles were included following questions from employees and learnings from previous years.

 [Conflicts of interest policy and register](#) (reflecting material disclosures in line with the JSE Debt Listings Requirements)

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

Annual general declarations of outside interests are required from directors and prescribed officers in accordance with section 75(4) of the Companies Act. In terms of the policy, annual declarations are also required from all employees in the group.

In addition to the annual declarations:

- An item dealing with the declaration of interests at the beginning of each meeting appears on every board, board committee, executive and management committee agenda
- All meeting attendees are required to formally declare that none of them, nor their related parties, have any personal financial interest in any matter on the agenda
- The abovementioned declarations are recorded in meeting minutes
- A director or prescribed officer must indicate personal financial interest in a matter to be decided through written resolution by informing the group company secretary

Implementation and review of an electronic platform to facilitate reporting, workflow approvals and an auditable communication trail for disclosures by directors and employees began in 2022 and is effective. This includes the gifts and benefits register, director trade clearances and policy management.

Performance and value creation

Strategic direction

King IV articulates the responsibilities of the board, which is to steer an organisation strategically in line with its core purpose and values by approving as well as monitoring an informed short, medium and long-term strategy while considering sustainability-related impacts, risk and opportunities.

The board sets Exxaro's short, medium and long-term strategic direction through our Sustainable Growth and Impact strategy. It enables sustainable value creation through approval of a new capital allocation model and budget, setting and monitoring performance and culture expectations as well as a governance framework for the group.

Business continuity and crisis management plans

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

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

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

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

Performance targets to support our Climate Change Response strategy

To strengthen GHG mitigation and business resilience efforts, we included targets on water security and efficiency as well as energy efficiency in the group's STI scheme in 2022.

The energy efficiency targets relate to diesel and electricity consumption. Diesel accounts for over 95% of our scope 1 GHG emissions, while coal-based electricity is 100% of our scope 2 emissions.

Implementation of these two KPIs is a progression of our Climate Change Response strategy, our goal to be carbon neutral by 2050 and further alignment with the TCFD.

Internal reporting

We introduced a new format for internal reporting to the board in 2022. Management is required to detail the outcomes of proposed recommendations to the board in respect of:

- Strategy implications
- Financial implications
- Risk and compliance analysis
- ESG implications

Transparency

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

Assurance

 Refer to [combined assurance](#) (page 73) for detail on assurance over key sustainability information in this report.

Performance evaluation

KPIs track the execution of Exxaro's strategy for the board, board committees, group and energy executive committees.

Exxaro uses a strategic performance dashboard that supports reporting on the achievement of these KPIs. The dashboard was reviewed in 2022 and its reporting philosophy revised. To measure execution of Exxaro's refined Sustainable Growth and Impact strategy, reporting will focus on exceptions (out of appetite or worst tolerable) going forward to ensure execution and tracking of performance towards achieving the strategy and desired portfolio.

Through a cascade principle, the group executive committee drives and reports on the selected board KPIs. The status of the strategic performance dashboard is reported at board meetings throughout the year, focusing on reporting to the board what matters.

 [Strategic performance dashboard](#) (page 48)

Adequate and effective control

Group governance framework

To further allow Exxaro's core businesses to thrive in an increasingly dynamic market and industry sector, and to continue to support the execution of the approved strategy, group governance was extensively reviewed in 2021. The board adopted a framework that provides an overview of governance structures, principles, policies and practices, which together enable the company to meet statutory and regulatory requirements, and direct stakeholder engagements.

The legally sound framework guides monitoring and oversight of business affairs to achieve accountability, authority and sound decision making as well as policies to support the group in achieving the Sustainable Growth and Impact strategy. It is an entrenched governance principle within Exxaro that group wide policies require board approval. All group-wide policies are therefore submitted to the board for final approval.

The framework sets out the following:

- Statutory and regulatory framework of corporate governance
- Various group governance structures and role players
- Guiding principles that underpin effective corporate governance and describe the role of the board regarding reserved matters, delegations, policies and frameworks that apply across the group
- The roles of:
 - Shareholders and stakeholders as well as shareholder reserved matters
 - The board, board committees and reserved matters
 - Executive management and the executive committee
 - Independent control functions and structures within the group
 - The holding company, subsidiaries and other entities

Delegation of authority

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

The policy and framework are regularly reviewed to ensure aligned decision making within a changing business environment. This also provides direction and clear delegation of power to management. The framework is adopted by our subsidiary company boards and implemented throughout the group as part of the overall group governance framework.

In 2021, the energy business-specific delegation of authority was subjected to a rigorous review process by the executive and the board with various opportunities to provide input around delegations and oversight requirements. A revised energy-specific delegation of authority framework was approved by the board and adopted by the subsidiary company. Following this, a review of sub-processes was scheduled for 2022 as it is a critical governance pillar to ensure an effective control environment and is a key enabler for the achievement of group-wide objectives.

A comprehensive review of the group delegation of authority framework was conducted in 2022. Major changes were made in respect of legends used to ensure clarity, further enhancements as well as changes to actual delegations. It is planned to provide separate approval frameworks for the subsidiary entities in 2023.

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

Board committees

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

The board committees enable the board to deal with more issues with greater efficiency by having focused expertise considering specific areas on behalf of the board. If approached appropriately, the involvement of a committee should ideally also enhance the objectivity of the board's judgement. Therefore, to assist the board with the execution of its functions, the board delegates activities to board committees through formal terms of reference. It should be noted that the board retains full and effective control of the business and company affairs, and does not assume management's functions, which remain the responsibility of the executive directors, prescribed officers and other senior management.

In 2020, board committees embarked on a significant transformation journey, focusing on reimagining the operating model, acquisitions and evolving the broader business strategy.

This was driven by a changing business environment and regulatory developments. To this end, Exxaro revisited and enhanced the respective terms of reference of its corporate governance structures. In line with King IV, these included:

- Exxaro's current operating environment and the impact of its activities on public interest
- Effective collaboration through cross-membership between committees
- Balanced distribution of power

The terms of reference of the respective committees were reviewed in 2022, including key focus areas and annual work plans being revisited.

The board confirms that it is satisfied that the board committees executed their roles and responsibilities. In this regard it is confirmed that the audit committee has executed the responsibilities set out in 3.84(g) of the JSE Listings Requirements.

Subsidiary companies

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

The framework seeks to mitigate possible tension between the holding company and its subsidiary boards through the following measures:

- The board assumes overall responsibility for organisation and strategic coordination within the group, including its vision, mission and strategic direction, and oversees the group's performance
- Control of a subsidiary is achieved by implementing various measures including:
 - Approving its memorandum of incorporation (MoI) and any amendments. In this regard, Exxaro's wholly owned subsidiaries have a pre-approved standard MoI applied on establishment and any amendment will be considered for approval by the RBR committee

- Election of directors by the subsidiary shareholder (which may be delegated by the board as representative of the subsidiary shareholder in the delegation of authority policy and framework)
- Establishment and clear communication of the group's general strategy and its adoption by the subsidiary companies
- Requiring a shareholder vote or consent rights for specific matters as per the subsidiary Mol and the delegation of authority policy and framework (such as amendment of the Mol or election of directors)
- Adoption of policies for key matters informed by the corporate governance principles and reflected in the framework
- Adopting the delegation of authority policy and framework on establishment and when it is updated by the board
- Financial control through capital allocation and budget approval for the group
- Having regular monitoring meetings among representatives of Exxaro and its subsidiaries (as part of the Exxaro business) to follow up on implementation of directives and performance through regular reporting into the board committees
- Setting a corporate-wide independent internal audit function with a direct reporting line to the group audit committee as well as appointment of the group external auditor
- Implementing group-wide risk and compliance management practices and other independent control functions
- Establishing an efficient information management system to monitor key strategic indicators

The subsidiary directors are bound to adhere to the framework and adopted group policies. This does not absolve the directors of subsidiary boards from exercising their fiduciary duties. If directors breach their fiduciary duties, they may be held liable under section 77 of the Companies Act. This responsibility is clearly highlighted for subsidiary directors.

Group-wide control functions

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

The internal audit function does not receive delegations through the CEO but is delegated authority directly by the audit committee to execute responsibilities in terms of the internal audit annual plan. The chief audit officer reports administratively to the finance director.

The board is ultimately responsible for overseeing the effectiveness of the oversight functions and ensuring an effective internal control environment within the group.

 [Ownership structure](#) (page 7)

Board's access to information

The board charter guides our directors and management on the information requirements to be shared with the board while the onus remains on each director to advise the chairperson and/or CEO should he or she be of the opinion that the information provided is insufficient to enable informed decision making.

In addition, the board has unrestricted access to all company employees, information, records, documents and property, and a process to guide directors is provided should such access be required. The board, in carrying out its tasks, may also obtain outside or other independent professional advice it considers necessary to carry out its duties. The required protocols for requests of this nature is set out in the board charter.

Technology and information management

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

The board has mandated the RBR committee, as part of its business resilience focus, to oversee Exxaro's ERM process, including key risks facing the company and group and responses to address these risks, including information management risks. In addition, the RBR committee has a specific mandate to oversee governance of the information management strategy as well as integration of overall direction, context and objective for the improvement programme, and ensure alignment with the enterprise business strategy, governance and risk management. In addition, the audit committee is responsible to ensure adequate information technology governance through delegation to the information management steering committee.

Information management risks and mitigation measures are monitored continuously, including assessment of emerging risks, and reported to the RBR committee quarterly.

The top five information management risks identified at the end of 2022:

1	Cybersecurity: data theft
2	Availability and quality of data
3	Information technology disaster recovery strategy, plan and procedures
4	Cyber threat: malware
5	Cyber threat: disruption of operations

Cybersecurity remains the biggest identified and managed risk. EY concluded a cybersecurity assessment in 2021, assessing the same metrics as in 2018, and found a substantial improvement across all metrics. Exxaro's scores are much higher than the mining industry peer group. Based on the assessment, a new cybersecurity programme was defined to achieve further improvements. Exxaro's cybersecurity profile (Microsoft Compliance Score) rating at the end of September 2022 was 75.73%, which meets the 70% target for the year with stretch target of 80%.

Integrated ERM

Exxaro's ERM framework provides a process for effective management of all types of risks. We follow a layered approach (top-down and bottom-up) considering all risks and impacts. The same terminology and assessment mechanisms are used across the organisation from finance to projects, safety and operational risk management, etc. A set of risk names is in our risk catalogue, and one impact and one likelihood scale is used across different disciplines to ensure management concentrates efforts and resources on material activities.

The company links all risks, assurance activities and material issues to reduce assurance costs and derive greater value from auditing controls. A tracking and monitoring system is applied for transparency in audit findings to be closed out. The risk management function, through the combined assurance model, coordinates with internal audit to obtain evidence on the effectiveness of treatment and control activities in achieving the desired and planned risk treatment outcome. Assurance providers (internal audit, sustainability KPI audits, external assurance providers, self-assessments and accreditation reviews) monitor effectiveness of significant risk treatments and compliance with

Adequate and effective control continued

regulatory requirements, non-binding rules, codes and standards as well as policies and procedures.

The ERM framework and process are based on principles published by the Committee of Sponsoring Organizations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. It also considers applicable codes of best practice such as ISO 9001, 14001 and 18001.

The ERM framework is reviewed regularly to ensure alignment with current governance practice and standards. The board is satisfied that the company and group have a mature risk process that ensures risks potentially impacting its strategic objectives are pursued by management to create shareholder value.

In terms of our group governance framework, risk management is an independent control function across the group and our chief risk officer is a standing invitee to RBR committee and group executive committee meetings.

The strategic risks profile, highlighting the group's material risks, including Cennergi's top risks, and emerging risks are reported quarterly to the RBR committee and the board.

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

Beyond compliance

The group is committed to:

1	Maintaining high standards of integrity, professionalism and ethical behaviour in its relationships
2	Compliance with the letter and spirit of the law and regulations governing its conduct by ensuring the organisation acts with due skill and diligence
3	Conducting its business in adherence to statutory, supervisory and regulatory requirements

While Exxaro drives compliance with relevant regulatory requirements in its jurisdictions, the law serves as a minimum standard of conduct. Beyond complying with the law, Exxaro promotes a compliance culture at all levels.

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

The regulatory environment in which the group operates is regularly revisited by management to identify material legislation and to categorise each using a risk-based approach.

Key focus areas of the 2022 annual compliance plan included:

- Closing out of the POPIA implementation project with an internal audit to ensure compliance
- Updating regulatory compliance content available to business as well as the compliance calendar

Notwithstanding the regulatory jurisdiction of the business, Exxaro has a compliance function that reports to the chief risk officer. The group governance framework confirms the role of the chief risk officer with respect to regulatory compliance in that the person has oversight over group compliance management to monitor regulatory compliance and ensure consolidated compliance reporting.

Exxaro's board is responsible for ensuring that the company and its employees comply with all applicable laws and regulations, and consider non-compliance with legal and regulatory requirements a key risk. Accordingly, the board has delegated the responsibility for managing Exxaro's compliance risks to the RBR committee. The board's RBR committee is responsible for:

- Overseeing regulatory compliance risks, policies and frameworks
- Monitoring compliance with agreed policies, national and international protocols and procedures on non-financial aspects in collaboration with the SERC

- Ensuring compliance is continually monitored and reported by management, and external and internal audit

Combined assurance model

Exxaro applies a combined assurance model to optimise assurance by management, as well as internal and external service providers, while fostering a strong ethical climate and mechanisms to ensure compliance. Using our board-approved ERM approach, management identifies key risks facing Exxaro and implements the necessary internal controls with comparable information for trend analysis where possible.

The audit committee is responsible for overseeing the use of a combined assurance model to achieve the following objectives:

- Enabling an effective internal control environment
- Integrity of information used for internal decision making by management, the board and its committees
- Supporting the integrity of external reports

The board and audit committee found the effectiveness of controls for the year ended 31 December 2022 as satisfactory. This was concluded principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

Exxaro defines assurance broadly to cover all sources, including external assurance, internal audit, management oversight and regulatory inspections. The three lines of defence clearly delineate the roles of internal stakeholders, ensuring common procedural understanding when tackling risks.

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

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

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

 [Combined assurance report](#) (page 73)

Overdue and repeat findings

A new issue tracking management system was installed and configured with the business user launch and training in October 2022. This system will capture and track the status of all internal audits and other assurance providers findings, and all overdue and repeat findings will be reported at each audit committee meeting.

Independence of audit and assurance functions

To ensure independence of our audit and assurance functions, the following measures have been put in place:

- Effective for the financial year ended 31 December 2022, KPMG was appointed as Exxaro's new independent external auditor together with its delivery partner, AM PhakaMalele, approved by shareholders at the AGM held on 25 May 2022 by way of a separate resolution of shareholders in terms of the JSE Listings Requirements paragraph 3.84(g)
- Change in internal audit service provider: PwC and its service delivery partner, Ngubane & Co, were appointed as Exxaro's internal audit service provider from 1 July 2022
- A framework for engagement of auditors to supply non-audit services was adopted in 2021 and confirmed that KPMG, in terms of its policy, is not allowed to perform non-audit services
- Internal audit function is confirmed by our group governance framework as an independent control function across the group
- Internal audit charter (reviewed in 2022) informs the role and scope of work of the internal audit function
- Chief audit officer of Exxaro and the internal audit function report directly to our audit committee and is administratively overseen by the finance director

Trust, good reputation and legitimacy

Stakeholder inclusivity

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

As recommended by King IV, Exxaro's disclosure regarding stakeholder relationship management reflects our management approach, key focus areas and stakeholder management activities.

 [Creating value through stakeholder engagement](#) (page 36) and  [stakeholder management](#) (ESG report, page 24)

Internal communication

CEO's roadshow

As part of her transition, our new CEO challenged employees to #GetOnTheBus during roadshows at BUs and head office. The CEO engaged with employees on opportunities presented by Exxaro's Sustainable Growth and Impact strategy and shared how employees could actively participate in the growth and success of Exxaro and our country.

External communication

Stakeholder days

The purpose of the stakeholder day virtual events was:




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

The stakeholder engagements were scheduled over three days with ESD and socio-economic development stakeholders in Limpopo and socio-economic development stakeholders in Mpumalanga. Participants included:

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

Other external communications

The following external communication (among others) took place in 2022:

-  Publication of the [annual reporting suite](#) (integrated report, ESG report and climate change position statement)
- AGM (presentation of annual financial statements, report of the SERC and various other resolutions for voting by shareholders)
-  [SENS announcements](#)
- Interim and annual financial results presentations by executive management
- Results roadshows following the annual and interim results presentations for interaction with investors
- SLP future forums that play an important role in engaging with labour representative groups to promote ongoing discussions about the future of mines, to identify possible challenges and solutions for productivity and employment, and to improve business sustainability
- Sustainability summit in Middelburg, Mpumalanga
-  [Governance roadshow](#)
- COP27 (in November 2022) at which Exxaro presented its response to the climate change risk

Integrity in reporting

The board ensures the integrity of the company's integrated report and its alignment with best practice in integrated reporting, including other reporting by the company.

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

Anti-corruption

The board approves the group-wide anti-bribery and anti-corruption policy. The SERC receives quarterly reports on forensic investigation statistics and progress with initiatives under the SERC-approved fraud prevention and anti-bribery and corruption programme. For the oversight role of the SERC, please consider the SERC report.

Responsible corporate citizenship

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

As the organisation is an integral part of society, the board sets the strategic direction and ensures that the company's responsible corporate citizen efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading international and national standards, and its own codes of conduct and policies.

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

Governance

It is the SERC's role, as amended in 2021, to entrench responsible corporate citizenship as part of the committee's focused activities. The role and responsibility of the board's SERC includes overseeing the impact of the consequences of the group's activities and outputs on its status as a responsible corporate citizen in:

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

Commitments

Following an internal gap analysis in 2021, the board revisited, amended and approved Exxaro's human rights policy in 2022. Fundamental to Exxaro's purpose of powering better lives, is our stance that all people have inherent fundamental human rights regardless of their differences. As such, Exxaro is committed to respecting and upholding human rights for all people in its sphere of influence where the company has power to effect investment and development. Exxaro is guided by the Constitution, applicable legislation and external standards such as the Minerals Council's human rights framework, the UNGC principles on human rights, labour, environment and anti-corruption.

 [Human rights](#) (page 99)

Trust, good reputation and legitimacy continued


Exxaro remains committed to supporting the 10 principles of the UNGC. The UNGC principles are embedded in our Sustainable Growth and Impact strategy, values, operations and stakeholder engagements in alignment with our endeavours to meet the SDGs. We believe that Exxaro's voluntary participation in the UNGC advances the case for responsible business practices and encourages our stakeholders to do the same. It holds us accountable to a global standard as we strive to become a catalyst for economic growth and environmental stewardship.

 [UNGC communication on progress](#)

Health and safety

The importance of safety in the workplace receives focused attention at each board, board committee and executive committee meeting. This is achieved through a standing safety moment item on all agendas.

In addition to SERC's mandate, the RBR committee is responsible for reviewing health and safety risks and focuses on reported high-potential incidents (HPIs) and lost-time injuries (LTIs).

 [Safety](#) (ESG report, page 62) and [health and wellness](#) (ESG report, page 64) outline our approach and performance.

Focus areas

Our focus areas in 2022 (going into 2023) included:

- Approved a new ethics strategy and management plan
- Developed and approved a revised human rights policy
- Compulsory group-wide anti-bribery and anti-corruption training on MyNexxt to be completed in 2023
- Compulsory training of directors, prescribed officers, group company secretary and directors of major subsidiaries on insider dealing and training available on MyNexxt


Reputation

The Sunday Times Top 100 Companies Awards ranked Exxaro fifth for the second year. The awards recognise JSE-listed companies' contributions to the economy and social progress through investments, initiatives, and job creation. The awards also applaud these private-sector companies for achieving the highest returns for their shareholders over the past five years.

Exxaro also won Capital Finance International's 2021 award for best sustainable mining leadership in South Africa in recognition of our renewable energy efforts and investment. The award acknowledges Exxaro's work in realising a regenerative economic model for its mining operations.

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

Bloomberg Gender-Equality Index recognised Exxaro in 2023 for the fourth consecutive year for the company's accomplishment in a predominantly male dominated industry sector. The Gender-Equality Index framework defines a set of metrics used to determine a company's progress towards equal representation of gender through the various employment levels of the organisation. Therefore, various global experts submit the Bloomberg social survey to be evaluated on the achievement or adoption of best-in-class statistics and policies.

 [Our strategic evolution](#) (ESG report, page 4) lists our awards over the years.

Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners. It assesses individual companies' positioning for the transition to a low-carbon economy.

Exxaro's TPI score of level 4 reflects our GHG emissions, risks and opportunities related to the low-carbon transition.

Our TPI score was level 2 in 2016 and 2018. It improved to level 4 in 2019 and we have maintained this achievement since then.

 [Delivering measurable results and impact](#) (ESG report, page 10)

Transition Pathway Initiative (TPI) score levels:
Level 0: Unaware of climate change as a business issue
Level 1: Acknowledging climate change as a business issue
Level 2: Building capacity
Level 3: Integrating into operational decision making
Level 4: Strategic assessment

 [Delivering measurable results and impact](#) (ESG report, page 10)

Disclosure recognition 2022

- **EY Excellence in Integrated Reporting:** Our 2021 integrated report earned a historical fifth place among the Top 10 (the highest achievement in our history)
- **Global ESG Investing Awards:** Exxaro's 2021 ESG report earned second place among the best sustainability reports in the world
- **FTSE Russell ESG performance:**
 - Overall final ESG score of 3.8
 - Our governance reporting score increased from 4.6 (2018 to 2021) to 4.7
- **MSCI ESG rating:** Exxaro sustained its "A" rating and improved in the "E" (environment) category. The governance category, measuring corporate governance and corporate behaviour, where the company scored 6.9 out of 10, compared to the industry standard rating of 3.9

 [Delivering measurable results and impact](#) (ESG report, page 9)

Audit committee

Chairperson: Vuyisa Nkonyeni	Meetings: Six
Members: Billy Mawasha, Isaac Mophatlane, Ras Myburgh and Chanda Nxumalo	Attendance: 88.5%

 [Audit committee report](#) (ESG report, page 120)

Composition during 2022



Vuyisa Nkonyeni
Chairperson



Billy Mawasha



Isaac Mophatlane



Ras Myburgh
(retired 25 May 2022)



Chanda Nxumalo

Role and purpose

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

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

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of internal controls and the internal audit function
- Assessing the adequacy of the company's insurance arrangements with regard to the nature of its business and insurable risks
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over system controls and policies in place

Terms of reference

The terms of reference were reviewed and enhanced in accordance with the 2022 Institute of Directors South Africa guidance for audit committees and approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2022 and 2023	Status
Review the strategy in relation to the deployment of new post-modern ERP Solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy	Ongoing
Ensure alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach	Achieved
Review Exxaro's future strategy relations to insurance cover and self-insurance, taking into account global resistance to thermal coal and insurance markets	Ongoing
Continued to oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with the TCFD	Ongoing
Approve the levels of materiality to be used for internal audit (including audit protocols and classification of findings) and consider levels of materiality for the independent external auditor	Achieved
Oversee transition plans for internal and external audit functions	Achieved

Confirmation

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

Investment committee

Chairperson: Isaac Mophatlane	Meetings: Eight
Members: Billy Mawasha, Isaac Malevu, Mandlesilo Msimang, Chanda Nxumalo, Vuyisa Nkonyeni and Peet Snyders	Attendance: 85.5%

 [Investment committee report](#) (ESG report, page 124)

Composition during 2022



Isaac Mophatlane
Chairperson



Billy Mawasha



Isaac Malevu



Mandlesilo Msimang



Chanda Nxumalo



Vuyisa Nkonyeni



Peet Snyders

Role and purpose

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

The committee's role is to review the strategic fit and risk appetite, and financial, technical and legal due diligences for major investments. It shall further ensure adherence to all Exxaro's governance processes at all times and that the approved hurdle rates, set from time to time, are met before any funds are committed. An investment opportunity will therefore first serve at the investment committee where a detailed review shall be conducted in line with the investment criteria approved by the board. After the review, the investment opportunity may be recommended by the committee to the board for final approval.

The committee's role expanded in 2022 to include consideration of Exxaro's capital allocation strategy.

Terms of reference

The committee's terms of reference were reviewed and are aligned with legislation, regulations and King IV. The committee is satisfied that it has conducted its affairs and discharged its responsibilities in accordance with its terms of reference.

Key focus areas for 2023	Status
Divestments: The committee received updates on the proposed divestments in line with Exxaro's strategy	Ongoing
Acquisitions: The committee considered potential acquisitions by the energy and minerals business in line with Exxaro's strategic objectives	Ongoing
Governance: The committee reviewed its terms of reference	Ongoing
Investment framework: To ensure it fulfils its role, the committee considered a framework that would serve as a guideline for presentations of investment and acquisition opportunities	Ongoing

Confirmation

The committee, in carrying out its duties, has due regard of its terms of reference and the principles and recommended practices of King IV.

Remuneration committee

Chairperson: Dr Phumla Mnganga

Meetings: Seven

Members: Mvuleni Geoffrey Qhena, Dr Geraldine Fraser-Moleketi, Zwelibanzi Mntambo and Ras Myburgh

Attendance: 90.3%

 [Remuneration committee report](#) (ESG report, page 126)

Composition during 2022



Dr Phumla Mnganga
Chairperson



Mvuleni Geoffrey Qhena



Dr Geraldine Fraser-Moleketi



Zwelibanzi Mntambo



Ras Myburgh
(retired 25 May 2022)

Role and purpose

The committee's terms of reference leverage the benefit of cross-membership for fulfilment of remuneration matters as well as board governance and nomination matters.

The committee is accountable to the board for execution of its independent and objective oversight set out below.

Duties and responsibilities of the remuneration committee

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

The committee does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management. It also does not assume accountability for the functions performed by other committees of the board.

Where board committee focus areas dovetail or overlap with this committee's oversight, there is seamless collaboration between committees to execute the broader effectiveness objective of the board – for example, in support of the diversity and inclusion strategy execution, as it applies to fair pay or application of mechanisms to achieve and exceed employment equity.

Terms of reference

The committee's terms of reference were reviewed in 2022 and amendments were approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2023	Status
Approval of Cennergi's organisational structure and appointment of head distributed generation	Ongoing
Revised group remuneration policy and reward framework	Ongoing
Implemented incentives and scorecards: group STI, long-term incentive and production incentive schemes	Ongoing
Revised performance management processes aligned to strategic objectives	Ongoing
Board committee composition review and board and executive management succession planning including appointment of managing director: minerals	Ongoing
Executive officer transition	Ongoing
Policy improvements: Employee leave conditions and parental leave policy	Ongoing
Non-executive director remuneration	Ongoing
Committee work plan and terms of reference review	Ongoing
Board continuing professional development	Ongoing

Confirmation

The committee is satisfied that its ongoing work aims to align remuneration with the organisation's values of fairness and equity. The company continues to strive towards remuneration of employees in accordance with market-related salaries and equitable awards across the organisation.

The committee is also satisfied that employees are invested in achieving the company's strategic goals through a remuneration philosophy and policies that incentivise short-term and long-term performance awards with sufficient stretch built into targets.

Nomination committee

Chairperson: Mvuleni Geoffrey Qhena	Meetings: Seven
Members: Dr Geraldine Fraser-Moleketi, Dr Phumla Mnganga, Zwelibanzi Mntambo and Ras Myburgh	Attendance: 90.3%

 [Nomination committee report](#) (ESG report, page 130)

Composition during 2022



Mvuleni Geoffrey Qhena
Chairperson



Dr Geraldine Fraser-Moleketi



Dr Phumla Mnganga



Zwelibanzi Mntambo



Ras Myburgh
(retired 25 May 2022)

Role and purpose

The committee's terms of reference leverage the benefit of cross-membership for the fulfilment of remuneration matters as well as board governance and nomination matters.

The committee is accountable to the board for the execution of its independent and objective oversight set out below.

Duties and responsibilities of the nomination committee

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

The committee does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management. It is also not accountable for the functions performed by other committees of the board.

Where board committee focus areas dovetail or overlap with this committee's oversight, there is seamless collaboration between committees to execute the broader effectiveness objective of the board – for example, in support of the diversity and inclusion strategy execution as it applies to fair pay or the application of mechanisms to achieve and exceed transformation targets.

Terms of reference

The committee's terms of reference were reviewed in 2022 and the amendments approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2023	Status
Diversity and inclusion policy	Ongoing
Board composition	Ongoing
Induction and ongoing development of directors	Ongoing
Nomination and appointment of directors	Ongoing
Succession planning	Ongoing
Performance	Ongoing

Confirmation

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

Risk and business resilience committee

Chairperson: Peet Snyders

Meetings: Five

Members: Ben Magara, Mandlesilo Msimang,
Ras Myburgh and Chanda Nxumalo

Attendance: 100%

 [Risk and business resilience committee report](#) (ESG report, page 133)

Composition during 2022



Peet Snyders
Chairperson



Ben Magara



Mandlesilo Msimang



Ras Myburgh
(retired 25 May 2022)



Chanda Nxumalo

Role and purpose

The committee is a board committee in terms of section 72 of the Companies Act, the company's Mol and King IV. The committee's role is as follows:

Risk management

The committee's role is to oversee the implementation of an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and that disclosure regarding risk is comprehensive, timely and relevant. Risk management is the process effected by the board, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the organisation and manage risks to be within its risk appetite, and ultimately to provide reasonable assurance regarding achievement of the organisation's objectives. Risk governance refers to the governance structures and mechanisms established within the organisation in terms of which decisions regarding risk are taken and implemented. The committee is responsible for reviewing the ERM process, including key risks facing Exxaro as well as responses in place to address these risks with particular focus on:

- Strategic risks
- Financial risks (technical debate on managing financial risk will take place at audit committee meetings but financial risks are part of the overall enterprise risk register over which this committee has oversight)
- Operational risks
- Regulatory compliance risks

Business resilience

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

Terms of reference

The committee's terms of reference were reviewed and enhanced in accordance with the 2022 Institute of Directors South Africa guidance, and approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2022/2023	Status
Review relevance of current KPIs and completeness of current and emerging risks in line with approved strategy	Ongoing
Review risk governance efforts to ensure monitoring of key risks impacting strategic objectives (includes review of completeness of current and emerging risks in line with strategy)	Ongoing
Ensure effective plans are in place based on the impact of business disruption (plans are up to date and no significant incidents occurred that led to business disruption)	Ongoing
Review Exxaro's risk appetite	Achieved
Review Exxaro's key compliance risks related to licence to operate	Achieved
Based on the key risks, recommend appropriate predictive and proactive reporting as well as engagement with key stakeholders (including integrated report)	Achieved
Review governance of technology and information to ensure incorporation of technology and information risks to enable strategy delivery and ensure business resilience	Ongoing
Review business resilience key elements to ensure business strategy compliance	Achieved

Confirmation

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

Social, ethics and responsibility committee

Chairperson: Dr Geraldine Fraser-Moleketi	Meetings: Six
Members: Karin Ireton, Likhapha Mbatha, Isaac Mophatlane and Peet Snyders	Attendance: 93.3%

 [Social, ethics and responsibility committee report](#) (ESG report, page 138)

Composition during 2022



Dr Geraldine Fraser-Moleketi
Chairperson

Karin Ireton

Likhapha Mbatha

Isaac Mophatlane

Peet Snyders

Role and purpose

The committee mandate derives from the company's commitment to proactively managing its economic, environmental and social impacts, and the public interest, in addition to those laid down in section 72(4) of the Companies Act, read with Regulation 43, the MoI and King IV.

The company recognises that it forms part of an interrelated community and as such may have positive and negative impacts on the public interest and the global goal of sustainable development. The committee oversees the company's ethics with regard to business practices, its relationships with its employees and other stakeholders and the natural environment. It assists the board by monitoring the extent to which the group is achieving its shared value goals in a sustainable manner.

The board has primarily entrusted the committee with shared oversight of sustainability management without relinquishing overall responsibility.

 [ESG oversight by board committees](#) (page 58)

ESG matters shape and direct board discussions. This committee tracks the group's performance in line with the strategic KPIs within the committee's oversight responsibility. These indicators inform matters within the committee's mandate, which are brought to the attention of the board for discussion when required. As reported, under the auspices of the committee we are steadily working towards decarbonisation through our Sustainable Growth and Impact strategy. Our strategic objectives advocate for a Just Transition in a manner that balances South Africa's economic development needs, ecosystem protection and social adaptive capacity.

The committee thus performs an oversight role of the organisation's actions and outputs (how the company conducts business, specifically the application of its value system surrounding ethical standards and social responsibility).

Terms of reference

The committee's terms of reference were extensively reviewed in 2021 to include responsible corporate citizenship in its role and responsibilities. The terms of reference were reviewed in 2022 and the amendment approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas 2023	Status
Oversee implementation of the diversity, equity and inclusion strategy in support of the overarching Exxaro strategy as a key business value driver	Ongoing
Scrutinise human capital strategies, human capital investment and oversight (strategic workforce issues) that impact the group's brand and reputation	Ongoing
Oversee implementation of the stakeholder engagement strategy and key account management of eight identified stakeholder groupings	Ongoing
Review ongoing anti-bribery and anti-corruption programme implementation including rolling out of conflicts of interest programme and ensuring an ethical culture	Ongoing
Ensure ESG is leveraged to build long-term competitive advantage, enhance resilience to sustainability risks and attract socially conscious investors, talent and customers	Ongoing


Confirmation

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

Combined assurance for effective governance

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

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

Using our board-approved ERM approach, management identifies key risks facing Exxaro and implements the necessary  [internal controls](#) (page 26) with comparable information for trend analysis where possible.

The board and audit committee assessed the effectiveness of controls for the year ended 31 December 2022 as satisfactory, principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

Approach, governance and reporting

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

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

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

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

Assurance review

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

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

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

Outcome of assurance 2022

As 31 December 2022 there were 394 open findings, reflecting an increase of 73 open findings in the year. Of the 394 open findings, 310 (79%) findings are classified as "Ready for Audit" (a three-month "waiting" period is applied before performing follow-up procedures for the control to be fully embedded). The split by status of findings is depicted in the chart below.

Status of findings	Current period reporting		
	Internal audit	Other assurance providers	Total for the current period
Follow-up in progress	30	7	37
Ready for audit	107	203	310
Within timelines	14	2	16
Overdue	19	12	31
Total	170	224	394

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

Source	Level 1 (high)	Level 2 (medium)	Level 3 (low)	Not rated	Total
Internal audit	0	18	1	0	19
Other assurance providers	2	9	1	0	12
Total	2	27	2	0	31

 Refer to [Appendix A](#) (page 167) in the ESG report for detailed disclosure.