

# Transitioning the business for growth

**Our Sustainable Growth and Impact strategy will deliver our long-term strategic objectives, measured and managed through KPIs for our progress on the journey to become carbon neutral by 2050.**

- 42 CEO's report
- 44 Our strategy: positioning Exxaro for sustainable growth and impact
- 47 Performance against our strategy and future focus
- 78 2022 strategic KPI performance
- 50 Key strategic trade-offs



# CEO's report

Exxaro displayed tremendous resilience in navigating a tumultuous operating environment during the financial year, characterised by economic disruptions from the Russia-Ukraine conflict and resulting energy crisis, market volatility, domestic challenges, and evolving geopolitics.

Since Exxaro's creation in 2006, we have weathered international and domestic disruptions, among others, the global financial crisis, the commodity downturn and more recently COVID-19, while responding to the resonating global call to action against climate change to reduce carbon emissions in the face of South Africa's energy security challenges.

This is a time of many shifts - both externally and in our industry. Geopolitical changes, the global energy transition, and the move away from fossil fuels toward renewable energy will lead to varied regional impacts that will disrupt social structures and local communities. As such, we are conscious of the uncertainty among our stakeholders as we embark on our business transformation and transition to sustain Exxaro on the road to a low-carbon future. We are equally conscious of our leadership role and responsibility in society to carve a path to a positive legacy for generations to come.

## Exxaro's value proposition

Our strategy is responsive to the changing operating environment. Key strategic shifts include *optimising our portfolio* to maintain our robust and resilient long-life coal assets, which are cost competitive and continue to deliver operating margins above 20%. We unlocked significant value for shareholders by disposing of non-core assets.

Our *early value coal strategy* was our foremost response to climate change - to limit stranded high-value Coal Reserves and increase the proportion of high-quality (high energy value) coal products in our export mix. Combined with our market to resource approach - to inform operational plans with market insights to deliver coal products that meet customer specifications - this strategy provides optionality and flexibility in terms of coal blending to supply different markets during the prevailing European energy crisis.

We have a *robust capital allocation framework* that supports our business and future plans, through which we aim to maintain our sustaining capital at an average R2.5 billion a year for the

Dr Nombasa Tsengwa



coal business. We foresee a consistent dividend policy of 2.5 to 3.5 times adjusted group earnings, translating to a pay-out ratio of up to 40%. To facilitate our minerals and renewable energy growth opportunities through mergers and acquisitions, we are maintaining sufficient cash holdings and have sufficient debt facilities, as shared elsewhere in this report. In addition, macro-risks demand that we maintain an above normal level of financial liquidity.

## Investment in renewable energy and minerals

Cennergi will begin construction of the 68MW Lephalale solar plant and enter into an offtake agreement with Grootegeluk mine. Future merger and acquisition opportunities will further grow the generation capacity from the 229MW base of wind energy generated in the Eastern Cape. We aim to grow to 1.6GW of generation capacity from wind, solar and battery storage by 2030. This renewable energy investment will contribute significantly to South Africa's decarbonisation plans.

In the minerals portfolio, we have reviewed opportunities in our targeted commodity interests, namely manganese, copper, and bauxite. The commodity sector remains competitive with high expectations for valuations, consequently, limiting access to opportunities and delaying our pace of development. Therefore, when pursuing acquisitions within these minerals, we balanced the need to transition at speed with our investment criteria and capital allocation requirements to balance risk and returns.

## Our performance for the 2022 financial year

The past financial year was undoubtedly challenging for Exxaro, but it also presented opportunities and demanded agility and proactive response. Overall, the results of a record safety performance and EBITDA were commendable. The tenacity and excellent safety performance of our people, coupled with higher coal prices, combined to deliver this value to our stakeholders.

## Unwavering in our commitment to safety

Safety remains a top priority for me and the Exxaro family at large. Encouragingly, our LTIFR performance continues to improve. We achieved a rate of 0.05 ahead of our 0.06 target, which is an industry-leading performance.

Sadly, following a five-year record without fatalities, it was a lowlight when we lost Mathews Moanaloo in an accident involving mobile mine machinery at Belfast on 15 August 2022. It was a stark reminder that consistent vigilance is critical in mining environments, given prevailing energy levels. We extend our sincere condolences to Mathews's family, friends and colleagues

who can find comfort in Exxaro's support as we come to terms with this tragedy.

Our safety performance, combined with other sustainability factors, such as community development, biodiversity management, our decarbonisation plan and overall good corporate governance, contributed to an improved FTSE Russell ESG Index performance rating from 3.8 to 4.0 out of 5.0. We have identified further opportunities, such as human rights practice and policy disclosure, to improve this scorecard performance and demonstrate the reduction in risk to our investment proposition.

### Delivering against logistics constraints


The most significant hurdle to overcome was ongoing logistics constraints, which limited our export volumes at a time of record coal prices (reaching US\$271.63/tonne for RB1 and US\$205.43/tonne for RB3 thermal coal), arising from the Russia-Ukraine conflict and consequent European energy crisis. After a record 12Mt of exports in 2020, we are disappointed that we could not achieve our export sales capacity of between 15Mt and 16Mt following our expansion of the rapid load-out station, Grootegeluk 6 (GG6) project and Belfast mine development.

We delivered maximum sales tonnage of 42.1Mt into a favourable domestic and seaborne price market. While this outcome contributed to the record revenue of R46.4 billion and EBITDA of R19.0 billion, the financial opportunity lost is unfortunate. Reflecting on this performance over the past five years, revenue and EBITDA growth was 82% and 161%, respectively, the latter demonstrating consistent cost management and despite a worsening logistics performance. We are working closely with TFR, government and the Minerals Council to remove logistics constraints in the short term, including security of the coal line and performance efficiencies.

Our continued focus on cost management has ensured that we remain below mining inflation, despite the aggressive inflationary increases observed during the year. Cost competitiveness is an essential lever for our business's sustainability. We achieved a coal cost performance increase of 12.7% versus mining inflation of 13.8%.

### Driving operational and production performance

Our people exerted energy and displayed tenacity to ensure maximum export volumes under difficult conditions. We achieved a 1% increase in overall production and sales volumes. We improved our coal product mix through higher RB1 grade export volumes to achieve the highest coal price level, despite worsening rail logistics constraints. We successfully maintained our coal supply to Eskom for electricity generation at Medupi, Matimba and Matla power stations and responded to various other coal product markets.

 Cennergi delivered renewable energy in line with planned design output. However, poor wind conditions in 2022 resulted in a 7% decline in energy generated of 671GWh compared to 2021.

### Delivering against our strategy and outlook

The Sustainable Growth and Impact strategy remains on track to deliver on our strategic objectives. Our progress during the year and outlook is as follows:

- **Transition at speed and scale:** the commodity market for acquisition opportunities remains competitive but not impossible. We have developed a pipeline of potential target opportunities and remain prudent in our approach to ensure we do the right deal at the right price. In the meantime, the coal business remains robust, given the resource and reserve quality. While we foresee thermal coal prices softening, through our early value coal strategy and delivering high-quality volumes as a proportion of our total exports, we will be able to achieve the highest price levels. We firmly believe that this dual strategy of managed coal operations and growing future-facing businesses is the most optimal pathway for the energy transition, enabling us to journey along with our employees, communities and all our stakeholders

- **Make our minerals and energy businesses thrive:** cost management is critical to maintain the competitiveness of our operations and protect margins, especially during a high-inflationary environment. We achieved a below-inflation cost increase for the coal business, a level of performance we will continue to aim for; ongoing stakeholder relations management ensures that we create harmony between operations and community stakeholders for business continuity; our regular engagement with shareholders ensures that our investment thesis remains top of mind; and the rail performance will remain a challenge. However, formally established structures between industry, Transnet and government will expectantly show positive developments in the first half of 2023
- **Empower people to create impact:** as a critical enabler of our vision, we strengthened and reinforced our human resources development and skills programmes following the COVID-19 disruption. We are bolstering our skillsets in renewable energy in anticipation of the growth. In relation to our communities, we achieved record financial support of R291.2 million to local SMMEs through our ESD programme and, combined with supply chain efforts, achieved a record R1 097 million in local procurement - an increase of 11.5% that exceeded our annual 10% target. Our SMME development programme has created over 2 000 employment opportunities since inception in 2017/18
- **Be carbon neutral by 2050:** we remain on track, despite short-term volatility and our disposal of Leeuwpans being withdrawn until further notice, towards a 43% reduction in scope 1 and 2 carbon emissions by 2026. Decarbonisation of our business is an essential tenant of our business model
- **Becoming a catalyst for economic growth and environmental stewardship:** our Lephalale solar plant project reached financial close in April 2023 and construction will commence in the first half of the year. Further to our SMME development programme, our Social Impact strategy aims to deliver significant investment in education, land use management and related skills, as well as ongoing local economic development. This strategy was approved by the board in November 2021. Execution plans will be shared with the board for approval in the second quarter of 2023

### Appreciation

Reflecting on my journey, I am deeply grateful for the support received and the lessons learned along the way. It has been a journey of growth, self-discovery and several changes in my professional life. The journey also prepared me for the period we find ourselves in today. I firmly believe that, on the journey ahead, there is a better place to be tomorrow than where we are today.

I would like to thank our investors and funders for their continued support. To my board, thank you for your counsel and insights. To our stakeholders, including among others, our government partners, organised labour, regulators and community members, I extend my gratitude for your support in building the Exxaro of tomorrow. Not least of all, to our employees, you provided an opportunity for me to engage with you on our "get on the bus" roadshows, which was one of the highlights of my year.

Thank you all for your commitment and dedication as we work together to build for a tomorrow we can be proud of.



**Dr Nombasa Tsengwa**  
CEO

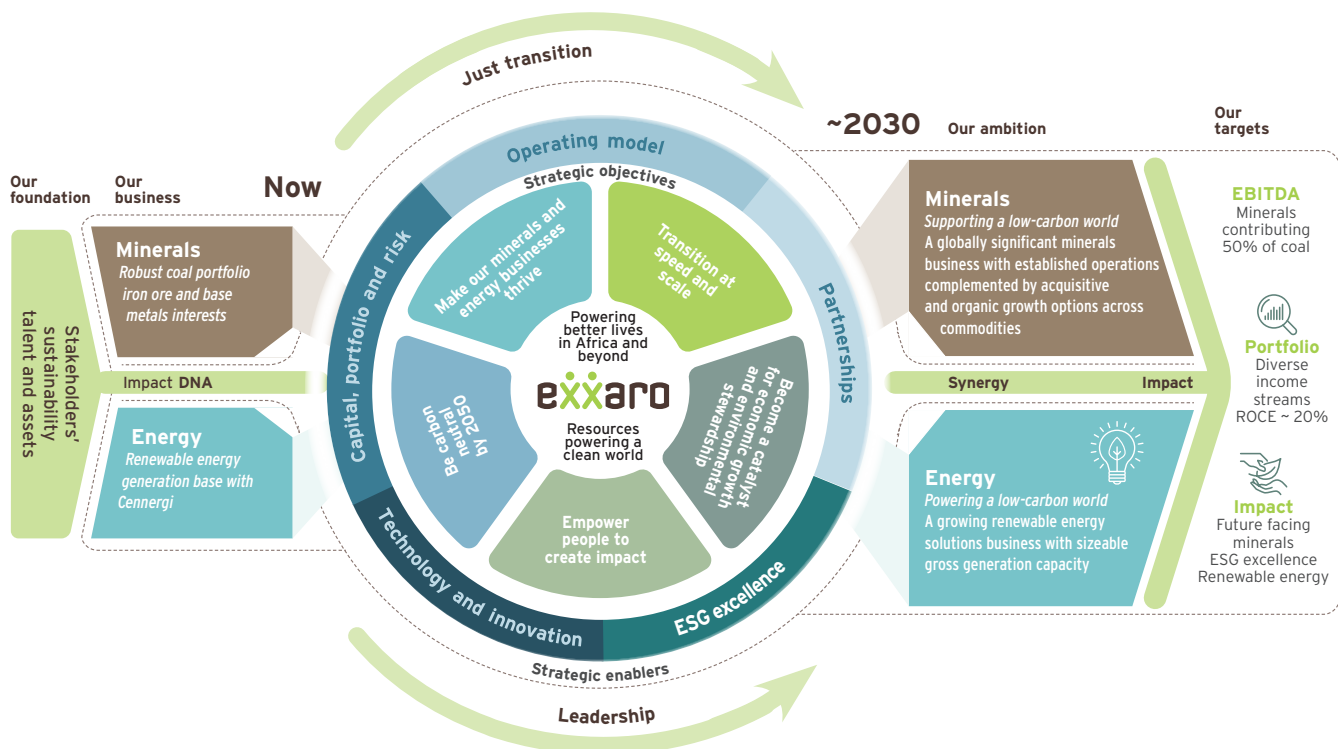
14 April 2023



# Our strategy: positioning Exxaro for sustainable growth and impact

We aim to create and preserve value by delivering sustainable growth and impact. Sustainable growth means we are transforming our business at prudent scale, evolving into a diversified company that will thrive and contribute to a low-carbon future. Sustainable impact means we aim to do this responsibly by addressing our broader impact and material ESG and compliance matters. The Sustainable Growth and Impact strategy is an integrated, multi-stakeholder approach to positioning the business for a resilient and sustainable future.

We are determined to play an active role in creating a future that enables our vision: resources powering a clean world, as we transform the business. During 2022, we further refined and consolidated our strategy in response to the rapidly changing macro-economic environment. As part of this, we revised our capital allocation model to guide decision making in line with our enterprise ambition, Our north star is to harness, harvest and harmonise *resources powering a cleaner world*.



## Our strategic objectives

- 1. Transition at speed and scale:** Transition our business with measured urgency given the growing need for the low-carbon transition. We will do this while creating positive social impact. We will leverage our innovation, organisational intelligence and learning culture to navigate this transition
- 2. Make our minerals and energy businesses thrive:** Enhance focus on our core delivery areas, minerals and renewable energy, by increasing our footprint in these areas, divesting of non-robust assets and ensuring continued operational and digital excellence
- 3. Empower people to create impact:** Ensure our people and partners have the capabilities, mindset, environment and passion to achieve our purpose
- 4. Be carbon neutral by 2050:** Reduce our carbon footprint and become carbon neutral by 2050. We will achieve this through our focused portfolio decarbonisation and social impact initiatives
- 5. Become a catalyst for economic growth and environmental stewardship:** Positively impact our ecosystem during and after our operations in minerals and renewable energy, building community projects and businesses into investable impact programmes, which can lead to sustainable, scalable economic upliftment and prosperity, independent of our continued operations in these environments.

## The details of our strategy

We intend to deliver our long-term strategic objectives by aligning our resources to the following areas:

- Delivering value in existing coal assets
- Growing our renewable energy solutions business
- Providing minerals that support a low-carbon world

We are leveraging the following strengths and capabilities:

- Mining and bulk commodity
- Balance sheet strength
- Technical and commercial due diligence
- Business integration
- Newly acquired expertise in renewable energy

Over the next five years, we will use the following to enable the execution of our strategy:

- Clear targets
- A robust capital allocation model
- Monitoring performance through KPIs
- Accountability
- Skills and executing culture

## Capital allocation

Our ambition to be a diversified carbon-neutral minerals company with a significant renewable energy business can be realised through effective capital allocation. Our revised capital allocation model will enable us to continue delivering shareholder value and create a sustainable, resilient and robust enterprise that can withstand dynamic markets shifts. We revised our approach to capital allocation to grow our minerals and energy businesses while fully understanding their associated risks and rewards. The model ensures strategic decision making between competing business investment interests and ensures alignment with our strategic intent.

We introduced additional criteria to ensure we embed disciplined and data-driven capital allocation aligned with our enterprise ambition.

Our capital allocation criteria include:

1. Strategic fit: metrics that evaluate financial and market performance, capability alignment, ESG performance and diversification of product, geography and customers
2. Pacing: prioritising timing of investment decisions and considering factors such as time to earnings, organisational readiness and stakeholder considerations to ensure timeous value realisation

Our capital excellence programme demonstrates our vigilance to optimising how we use our financial resources to create sustainable value. Robust capital allocation is informed by our enterprise KPIs:

- Growth in minerals earnings
- Decarbonisation of portfolio
- ROCE
- Growth in renewable energy generation
- ESG and licence to operate

## Timeframes

Our strategy will be delivered in phases with clear outcomes for each focus area.

### Ambition targets



## Accountability

Our strategy is implemented in three tiers of accountability:

- Tier 1 board: establish vision, mission and set direction of the business
- Tier 2 executive management: apply approved strategy into business plans
- Tier 3 executive BUs: translate business plans into detailed execution plans

# Our strategy: positioning Exxaro for sustainable growth and impact continued

## Our renewable energy business

To be a leading international renewable energy solutions provider by 2030

### Renewable energy

- A significant contributor of renewable energy solutions (renewable assets and services)
- Servicing the public and private sectors in South African and other markets
- Focus on three renewable energy areas:
  - Distributed generation: Our growth in renewables will be internally led by providing our existing operations with self-generation. We have two large windfarms and micro-grids in operation, and the Lephalale solar project under development. We will then look to providing generation for customers in mining and select markets
  - Utility generation: We intend to provide utility generation in select markets. We will determine markets for focus through selection criteria
  - Services: We will build our energy services business by growing our existing renewable energy business and augmenting our generation business. We will also offer asset management, energy management, digital services and virtual power

#### Why

- Transition Exxaro to a carbon-neutral future as a start
- Provide diversification and long-term sustainability to Exxaro's cash flow including providing cost-competitive energy solutions
- Become a prominent player in the energy security industry in South Africa

#### How

- Leverage Exxaro's advantage, which includes our internal energy requirements, a healthy balance sheet, resource evaluation skills, excellence in project management and optimisation, and experience in the project lifecycle
- Invest in renewable energy with an acceptable risk profile targeting a portfolio return of 15% equity internal rate of return over a period of time
- Strategic acquisition of skill and market entries to grow at scale
- Partnering to improve skills, credibility and growth

### Competitive advantage

- Renewable pedigree: We have a significant local IPP in South Africa and have had exposure to the renewables business since 2009
- Strong Exxaro brand: Includes a strong balance sheet to back this new strategic pillar
- Adjacency advantage: All our operations require decarbonisation. Operations are often located in clusters with other mining peers also requiring solutions
- Partnerships: We have formed partnerships that enable growth and contribute key offtake opportunities

## Our minerals business

To utilise Exxaro's mining skills to supply minerals that power a clean world and provide our shareholders with superior returns while driving decarbonisation ambitions

### Coal

Our coal business continues to deliver value for Exxaro and is key in providing the country's primary energy source

#### Why

We believe that the coal assets under our care do not belong to us. Therefore, we have a responsibility to manage them appropriately. To do this, we must ensure that, on our way to a low-carbon future, we do not leave high-value assets sterilised and stranded.

#### How

- Ensure a robust coal asset portfolio, which includes divestment from resources that do not suit our future portfolio
- Optimise our market to resource capability
- Digitalise our operations with a focus on value creation
- Optimise capital allocation supported by our capital excellence programme
- Minimise emissions at our existing operations

### New minerals

Diversify into new mineral assets (manganese, copper and bauxite) that are vital to a low-carbon future

#### Why

- Diversify revenue for Exxaro's growth
- Clearly defined investment supporting the right opportunities
- Balance sheet and mining capabilities provide a competitive advantage

#### How

- Exxaro has developed a minerals business approach that enables a just transition to a low-carbon world while leveraging our core competencies as a bulk miner
- Robust screening criteria enable us to continuously review and identify the minerals we should be focusing on for our future growth
- Our initial targeted minerals (manganese, copper and bauxite) offer the best risk to reward ratios to:
  - Deliver our bold EBITDA target
  - Support our ambition to power a clean world
  - Benefit from the decarbonisation tailwinds that will drive world economies into the future

### Competitive advantage

- Specialised skills: We have roots as a diversified miner with recognised specialised skills in mining. This includes open-pit and bulk commodity experience, base metals, mineral sands and industrial minerals
- Project execution excellence: Through expansion successes, delivering digital innovation through our Digital@Exxaro programme and continued operational excellence from our high-performing coal operations
- Recognised for our ESG performance, brand and culture

We unpack our progress against delivering on our strategy on the following pages.

# Performance against our strategy and future focus

## Building traction as we transition to our new strategy

We are in the process of transitioning into and embedding our Sustainable Growth and Impact strategy. We have clear objectives to achieve this strategy and have provided an overview of our traction thus far in the table below. To best measure and manage our progress, we have identified KPIs that we will measure our performance against over time. These have been carefully selected by considering our previous KPIs (which reflected the capitals of value creation that we use and affect) and our future goals. The resultant indicators are refined and targeted, designed to monitor momentum on strategy while catalysing management discussion and analysis within the organisation. They also ensure all previous ESG commitments are covered in their achievement.

Performance overview	Looking forward	Material themes	SDGs impacted
<p><b>Transition at speed and scale</b></p> <ul style="list-style-type: none"> <li>Partnered with Enertrag to jointly develop renewable energy solutions, especially in Mpumalanga, to enable a just energy transition</li> <li>Completed several minerals due diligence studies and decided against acquisitions due to unfavourable return characteristics</li> <li>Developed robust capital allocation model</li> </ul>	<p>We aim to transition at speed and scale but not at all costs. Our investments in minerals and energy will be governed by our prudent capital allocation framework and rigorous investment criteria positioning our portfolio within our desired risk-adjusted return levels</p>		
<p><b>Make our minerals and energy businesses thrive</b></p> <ul style="list-style-type: none"> <li>Achieved record financial and safety performance</li> </ul>	<p>Safety, cost optimisation and business improvement remain our priorities across our minerals and energy businesses</p>		
<p><b>Empower people to create impact</b></p> <ul style="list-style-type: none"> <li>Implemented the group incentive scheme aligning individual and team goals to group objectives</li> </ul>	<p>Continuous development of our people, processes and platforms to ensure we build on our learning culture and achieve our strategic objectives</p>		
<p><b>Be carbon neutral by 2050</b></p> <ul style="list-style-type: none"> <li>Established ESG steering committee with clear terms of reference</li> <li>Self-generation renewable energy projects are planned for implementation at our Grootegeluk and Belfast operations in the short term</li> </ul>	<p>Our key focus in the short term will be our detailed stakeholder-centric decarbonisation roadmap with clear objectives and milestones, including on scope 3 emissions</p>		
<p><b>Become a catalyst for economic growth and environmental stewardship</b></p> <ul style="list-style-type: none"> <li>Developed detailed Social Impact strategy with clear targets, actions and focus areas</li> <li>Partnership with Endangered Wildlife Trust to develop a monitoring programme to enhance our biodiversity management processes</li> </ul>	<p>We aim to progress our industry leading ESG performance towards delivering sustainable impact at scale</p>		

# 2022 strategic key performance indicators





For the past seven years (2015 to 2022), we have measured our strategic performance against the following dashboard of strategically important KPIs. These KPIs align to our objectives as well as the capital sources of value we use or affect. These indicators are under review but will continue to be measured as they support our ESG commitments and the successful execution of our new strategy.

For 2022, we continued to measure our performance against these while we transition to our Sustainable Growth and Impact strategy, and appropriate metrics and strategic KPIs were being finalised.



















Our KPIs are outlined in the strategic performance dashboard below.












## KEY

### Trend<sup>^</sup>

-  Deteriorated
-  Improved
-  Unchanged
-  New KPI this period














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








 Natural capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator <sup>^</sup>
Reportable environmental incidents (levels 2 and 3)	Be carbon neutral by 2050	0 level 2s 0 level 3s	<b>0 level 2s</b> <b>0 level 3s</b>		6 level 2s 0 level 3s		
Carbon intensity (scope 1 tCO <sub>2</sub> e/total kilotonnes mined (kTTM))	Be carbon neutral by 2050	Actual for previous year less 5%	<b>0.5% reduction</b>		Actual for previous year less by more than 5%		
Carbon intensity (scope 2 tCO <sub>2</sub> e/kTTM)	Be carbon neutral by 2050	Actual for previous year less 5%	<b>0.8% increase</b>		Current year less than previous year		
Water intensity (kL/tonne RoM)	Improving water efficiency	0.15 to 0.18	<b>0.15</b>		0.149		
Percentage environmental liability provision in place – commercial and captive operations	Be carbon neutral by 2050	80% to 100%	<b>Between 50% and 80%</b>		72%		
Physical rehabilitation (actual versus budget)	Become a catalyst for economic growth and environmental stewardship	0% deviation from budget	<b>Between 25% and 50% deviation from budget</b>				











 Human capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator <sup>^</sup>
Fatalities	Empower people to create impact	0	<b>1</b>		0		
LTIFR	Empower people to create impact	0.06	<b>0.05</b>		0.08		
OHIFR	Empower people to create impact	0.18	<b>0.16</b>		0.16		
Skills provision (percentage of appointment of employees within)	Empower people to create impact	60%	<b>64%</b>		62.17%		
Scarcity skills retention (percentage turnover)	Empower people to create impact	5%	<b>4.4%</b>		3.7%		

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



 <b>Social and relationship capital</b>	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator <sup>^</sup>
B-BBEE contribution level	Empower people to create impact	Level 1	<b>Level 3</b>		Level 2		
Black ownership	Become a catalyst for economic growth and environmental stewardship	30%	<b>47.1%</b>		47.1%		
SLPs project delivery (time variance)	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	<b>40% behind schedule</b>		8% behind schedule		
SLPs project delivery (cost variance)	Become a catalyst for economic growth and environmental stewardship	0% over budget	<b>16% over budget</b>		19% over budget		

 <b>Manufactured capital</b>	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator <sup>^</sup>
Capital project delivery measure (time variance)	Make our minerals and energy businesses thrive	0% behind schedule	<b>0.4% over schedule</b>		10.3%		
Capital project delivery measure (cost variance)	Make our minerals and energy businesses thrive	0% over budget	<b>0% over budget</b>		3%		

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

<sup>^</sup> Exxaro is in a net cash position.

# Key strategic trade-offs

We understand that, to create sustained value for our stakeholders, our strategy must recognise and balance the inherent trade-offs we face.

In developing our strategy, we consider the potential trade-offs our strategic decisions create to ensure we fully comprehend these decisions as well as work to maximise positive outcomes and curb negative impacts.

We can link each of our trade-offs to the achievement of one or more of our strategic objectives.

We know that achieving our objectives must be balanced and we will not necessarily be able to maximise all objectives concurrently. However, we have robust processes and decision-making frameworks to make choices and trade-offs between these objectives. Over time, each objective will be realised.

## Balancing the adverse environmental impact of coal with the need to support South Africa's socio-economic development

As a developing country, South Africa depends on reliable energy to fuel its growth. However, coal has a noticeable impact on environmental systems. As the frequency and scale of climate change-related events continue to grow so has the imperative to transition to a low-carbon economy. We support this imperative but we are mindful that structural economic transitions take time. Without adequate planning, transitions like these have historically had negative impacts on the most vulnerable in society. Our purpose is to power better lives in Africa and beyond. To achieve this, we continue carefully considering the critical trade-offs of the economy's immediate and affordable energy needs along with the growing and urgent need to reduce carbon emissions to sustain our environmental systems. Our Sustainable Growth and Impact strategy is designed to balance these seemingly competitive needs, ensuring we participate in the just transition to a low-carbon economy while delivering on our early value coal strategy in a prudent and responsible manner.

### Related SDGs



## Balancing capital allocation with our growth areas

Given that we intend to become a multi-core business, our capital allocation approach must support our short and long-term growth ambitions. We will need to allocate finite capital to opportunities in minerals and renewable energy that will enable our strategic objectives.

Our approach to capital allocation is agile and an integral component of our strategy creation and delivery. Our capital allocation process is supported by governance that supports disciplined and unbiased decision making aligned to our portfolio ambition.

Our strategic objectives and their metrics (which include stringent financial return metrics for each growth area) will continue to provide the guide for capital allocation so that we objectively assess strategic trade-offs related to capital allocation.

### Related SDGs



## Balancing our growth ambitions with our carbon-neutral targets while appreciating that absolute carbon (total emissions) might increase with acquisitions

The intent to decarbonise is at the heart of our Sustainable Growth and Impact strategy. Our acquisition targets will include their own carbon emission and carbon intensity figures that we will have to evaluate in our growth journey.

Key measures related to carbon intensity and emissions are included in our strategic performance metrics and will be a key tool for evaluating and balancing trade-offs related to growth. A key role of our decarbonisation roadmap is to give us a better understanding of future scenarios and projections for our business. This will give us further clarity on potential shortfalls and opportunities.

### Related SDGs



## Balancing operational focus and the need for diversification

As a business that is transitioning towards a carbon neutral portfolio by 2050, we recognise that portfolio diversification is essential in balancing risk and reward across multiple time horizons.

Our operating coal business remains a key source of capital to support this transition and managing this business optimally while motivating our workforce is essential in achieving our ambition. We enable this through balanced performance scorecards at all levels of the business, clear alignment of strategic goals, and candid conversations led by our CEO and executive team.

### Related SDGs



## Balancing short-term business performance against long-term ambition

Our scenario and risk modelling process highlights a potential global recession scenario and the implications this will have on our business in the short term. Reducing coal prices and increasing inflation and energy costs result in lower margins unless stringent cost optimisation is undertaken.

We have to balance the need for short-term business resilience against resource allocation research and development that is essential in achieving our long-term strategy.

Our portfolio approach towards resource allocation guides us as we manage this tension.

### Related SDGs

