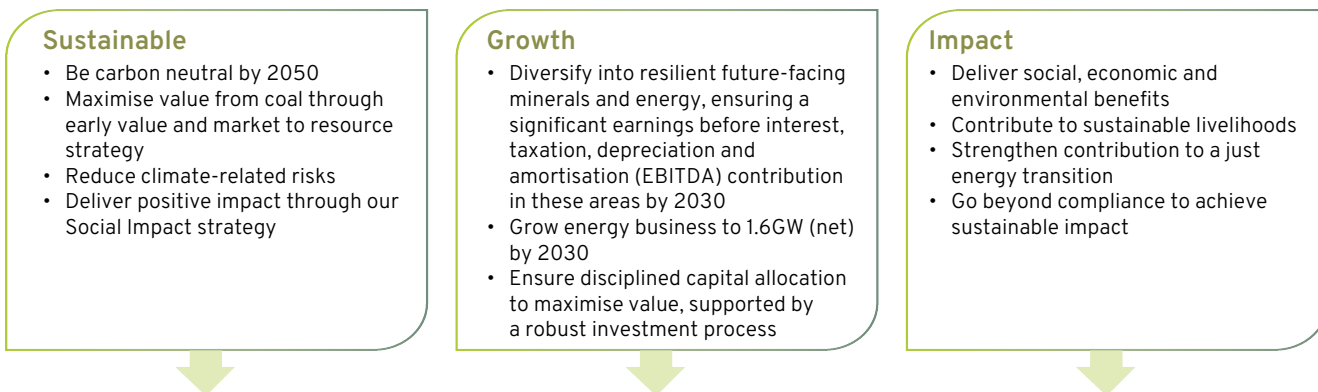


# Our approach to ESG

In delivering on our purpose of powering better lives in Africa and beyond, we strive to protect the natural ecosystems on which we rely and build a better future for our people.

We recognise that our activities have a negative impact on these natural ecosystems. It is therefore critical for us to manage and mitigate these while maximising and expanding our positive impact – creating shared value while ensuring the sustainability of our business.

Our **Sustainable Growth and Impact strategy** (unpacked in our integrated report) is an integrated, multi-stakeholder approach to positioning the business for a resilient and sustainable future. We are transforming the business at prudent scale, evolving into a diversified company that will thrive and contribute to a low-carbon future. We aim to do this responsibly by addressing our broader impact and material ESG and compliance matters.



## Strategic objectives

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

### Our ESG objectives support the achievement of our strategic objectives

Exxaro's strategy considers ESG matters across the asset, portfolio and enterprise levels. By embedding ESG into our strategy, processes and capital allocation model, we are building momentum and resilience for sustainable growth and impact in a just, sustainable and responsible manner.

Environment	Social	Governance
Decarbonisation and resilience	Health and safety	King IV and TCFD
Rehabilitation programme	Social (sustainable) impact	Ethical practices and anti-bribery and corruption
Biodiversity management	Human rights	Governance framework
Energy and water management	DEI	Capital allocation framework
Waste management	Land management	Compliance and risk management
Strategic partnerships	Partnerships and funding	Board composition

Our ESG policy sets out the principles that inform our approach to ESG matters and describes our commitment to sustainability and maintaining sound governance procedures. It outlines the actions we are taking to embed ESG in our organisation. It also informs stakeholders about our commitment to responsible investment practices as we integrate ESG considerations into our investment decisions and management processes. The development of our ESG policy is at an advanced stage and will be completed in 2024.

- We adopt a **stakeholder-inclusive approach** (page 24), as stakeholders are a critical enabler of our sustainable development and business success. We collaborate, engage and partner with key stakeholders in achieving our goals and implementing initiatives. Each section under the environment and social chapters includes this information.
- Our approach to ESG is embedded in how we are **transitioning into a low-carbon business** (page 12) – responding to climate change by transforming the business in a systematic and responsible manner.

To ensure we effectively respond to ESG matters and improve our performance, we are conducting a baseline assessment and gap analysis of our ESG projects and initiatives. The assessment will be completed by the end of 2024.

## Our approach to ESG continued

### What drives our approach

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

- We will be setting targets aligned with the SDGs for our **Social Impact strategy** (page 94) once we complete a baseline assessment of community needs for the three impact pillars in 2024.













The SDGs that Exxaro materially impacts are highlighted in colour.



### Supporting global decarbonisation and energy transition objectives

Exxaro's climate change position statement unpacks our journey to be carbon neutral by 2050, and our Climate Change Response strategy explains how we aim to achieve this and our efforts to build portfolio resilience in line with our Sustainable Growth and Impact strategy. We will be updating our response strategy and position statement in 2024 to consider new developments in the climate change space.

### Supporting global best practice and recommendations

		Further reading
 <b>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</b>	We support TCFD recommendations and align our reporting and business processes accordingly. Our Climate Change Response strategy also aligns with TCFD recommendations.	 <a href="#">TCFD index</a> (databook)
 <b>UN CLIMATE CHANGE CONFERENCE UK 2021</b> <small>IN PARTNERSHIP WITH UNCTAD</small>	We participated in the UN Climate Change Conference of the Parties (COP28).	 <a href="#">Climate change adaptation and resilience</a> (page 36)
 <b>United Nations Global Compact</b>	We are a signatory to the UNGC Active level and support the 10 principles.	 <a href="#">2021 UNGC COP</a> (investors tab under integrated reports 2021)  <a href="#">Respecting and upholding human rights</a> (page 108)
	Exxaro participates in the CDP climate change, forestation and water programmes.	 <a href="#">Climate change adaptation and resilience</a> (page 36) and <a href="#">water security</a> (page 50)
<b>Target setting and remuneration</b>	Our executive remuneration includes material ESG targets for water and energy efficiency.	 <a href="#">Remuneration report</a> (page 168)
<b>Performance incentives</b>	Our group short-term incentive (STI) and long-term incentive (LTI) schemes incentivise delivery against key financial, operational and ESG goals aligned to approved annual business plans.	 <a href="#">Governance</a> (page 112)
<b>Group-wide ESG policies, procedures, strategies and frameworks</b>	We are guided by umbrella and respective ESG policies, procedures, strategies and frameworks that support our approach to ESG management and performance.	 <a href="#">Environment</a> (page 32), <a href="#">social</a> (page 67) and <a href="#">governance</a> (page 112)

### Responding to evolving ESG priorities

The global imperative for companies to enhance their ESG practices and report on their impact timeously and transparently has gained significant traction and prominence. These are driven by international bodies and include the recent formulation of the IFRS® Sustainability Disclosure Standards – focusing on the quality and comparability of ESG data; and are the focus of annual summits, such as COP28 in Dubai. Exxaro remains vigilant in understanding and aligning to these requirements. Current areas of focus in this regard include:

- **Scope 3 emissions** occur outside of our direct control. Over 98% of our scope 3 emissions emanate from the generation of power by Eskom using Exxaro coal. Although Exxaro will not set targets for scope 3 emissions currently, we are pursuing opportunities to monitor and manage scope 3 emissions for our customers and suppliers (including inbound and outbound logistics); prioritising green procurement of goods and services; contributing to research and development on decarbonisation technologies and reduction of emissions related to employee travel. More importantly, our strategy to diversify to low-carbon transition minerals and growing our energy business will be key in addressing our scope 3 emissions and ensuring our contribution to the just energy transition
- **Responding to industry challenges**, such as criteria for measuring and quantifying emissions from discard dumps, carbon pricing, eg the European Union (EU) Carbon Border Adjustment Mechanism. Exxaro is also an active member and contributor to discussions on overcoming the current energy security challenges facing business and other stakeholders

### Governing our ESG approach and performance

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

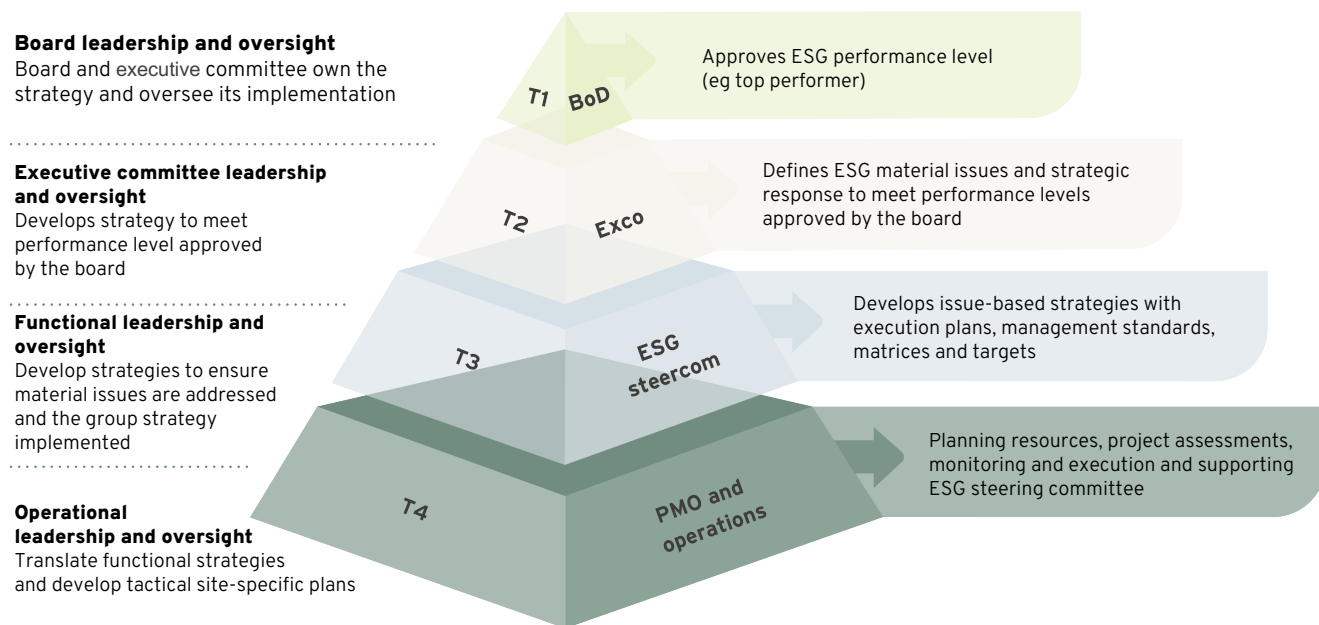
- The risk and business resilience (RBR) committee for environmental and climate change impact and management
- The social, ethics and responsibility committee (SERC) for the oversight of:
  - Compliance with its statutory duties and best practice, including environment, health and safety
  - Impact on planet, people and prosperity ensuring the group’s conduct is congruent with being a responsible corporate citizen
  - Stakeholder management and ethics management
  - Working conditions, relationships and development of our people
  - Community support and development

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



Refer to the [governance](#) section (page 112) for details on board committee mandates and management.

### Tiered ESG governance framework across the organisation



The ESG steering committee is a committee of the group executive committee. Established in 2022, the committee’s role is to support Exxaro’s ongoing commitment to ESG, sustainability and other relevant public policy matters. The ESG steering committee ensures integration of ESG as part of our strategy, and that we consciously embed ESG into everything we do. Exxaro’s ESG portfolio management office (PMO) monitors execution and drives accountability across the organisation. To ensure the PMO’s success and management of multi-stakeholder organisational change, we are aligning the right resources and necessary skills sets, which include project management, risk management, systems and assurance, financial management and internal ESG experts. The key objective is to ensure that ESG-related goals and targets fit into the organisation’s strategic objectives.

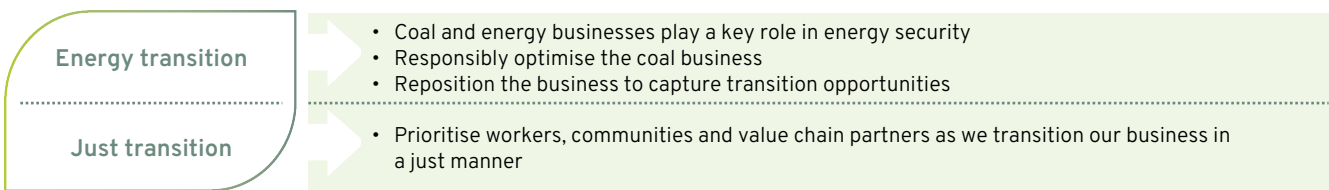
The committee and PMO drive ESG implementation and ensure decarbonisation and other critical ESG factors are integrated across all business levels. The committee is also responsible for reviewing the decarbonisation project business cases, monitoring budget spent and advising the technical team on further risk mitigation.

The ESG steering committee reports to the group executive committee on ESG performance, measurement and improvements.

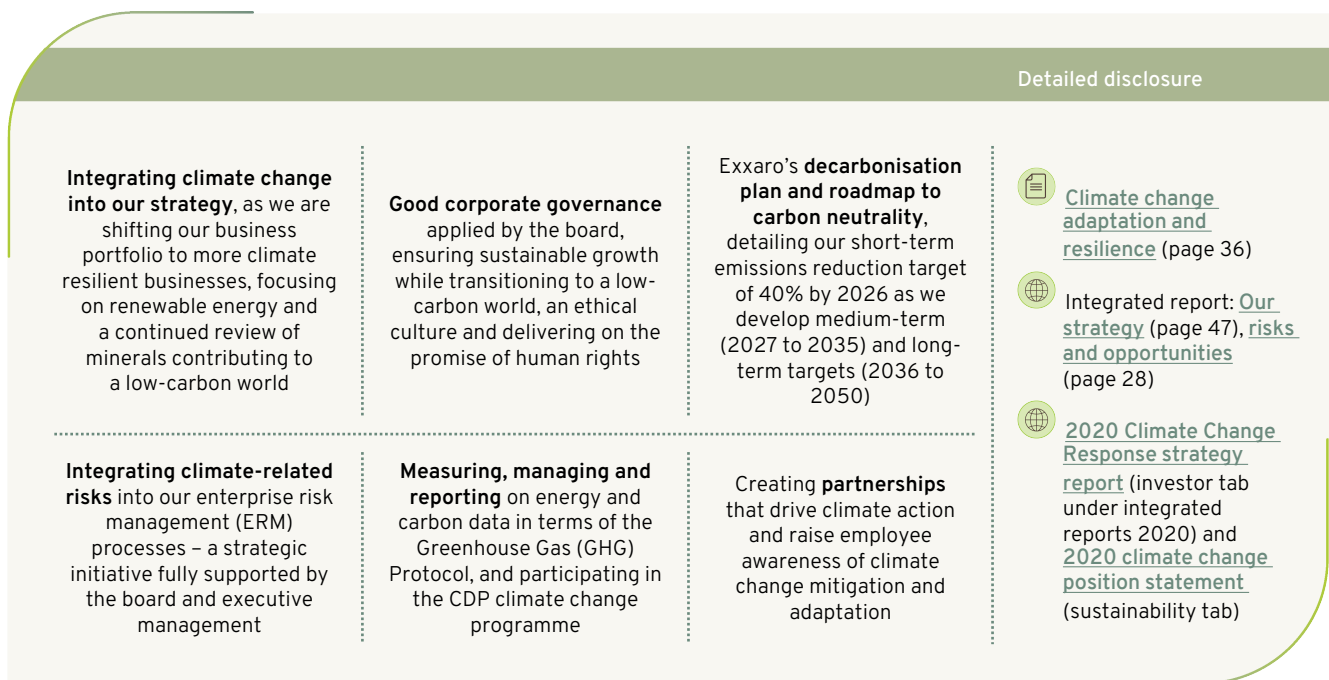
# Transitioning into a low-carbon business

Transitioning Exxaro into a resilient, diversified resources company and decarbonising our portfolio are direct responses to the threat of climate change. Our transition from a coal base to a minerals and energy solutions business will ensure we thrive in a low-carbon future and enhance our social impact.

Our goal is to be carbon neutral by 2050. To achieve this, we deliver on our Sustainable Growth and Impact strategy while leveraging opportunities, managing risks, adapting and responsibly operating in a carbon-constrained economy. Responding to the energy and just transitions is a critical factor of our strategy.



Our commitment to climate change and decarbonisation is embedded in our ESG approach and impacts all our business activities. Transitioning our business is guided, informed and executed by:



## Integrating climate change into our strategy

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

We published our Climate Change Response strategy and assessment on our alignment with the TCFD recommendations in our 2020 Climate Change Response strategy report. The TCFD provides a strategic framework for guiding our Climate Change Response strategy. This supports our overarching Sustainable Growth and Impact strategy through three of the five objectives:

- Transition at speed and scale
- Be carbon neutral by 2050
- Empower people to create impact

## Governance oversight of climate change

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

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

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

The board has delegated responsibilities for ongoing management of risks and opportunities to the RBR committee and oversight of the manner in which we have an impact on the planet, including climate change, to the SERC. These committees meet quarterly and review progress in mitigation, adaptation, leveraging of opportunities and community engagements.

The ESG steering committee aims to enhance our effectiveness as we gear up for our transition, and coordinates our internal and external responses. To ensure alignment with our carbon emissions reduction goals, the ESG steering committee monitors initiatives based on our ESG strategies. This helps us understand risks and opportunities so that our operations can focus on managing energy consumption, carbon emissions and other climate-related matters. In addition, our multi-functional decarbonisation and ESG technical committees support the ESG steering committee.

Our board and management are committed to understanding and embracing the science behind climate change.

### CASE STUDY:

## Partnering for impact and sustainable livelihoods

**Adaptation to the impacts of climate change is a key component of the long-term global response to climate change to protect people, livelihoods and the environment.**

As a business that places sustainability at the core of what we do and the realisation that collective action and collaborations are crucial for climate mitigation and adaptation, we signed a landmark memorandum of understanding (MoU) with the Agricultural Research Council, a science institution that conducts research with partners, develops human capital and fosters innovation to support the agricultural sector. This partnership is key, especially given the negative impacts of climate change on food, water security and sustainable livelihoods and will address the following issues:

- Research on sustainable and climate smart agriculture
- Livestock production and land use management
- ESG and climate change in line with the SDGs
- Socio-economic development in the context of secondary agriculture and value addition
- Innovative partnerships for socio-economic impacts, including technology and information dissemination
- Human capital development to facilitate development through community-based agricultural enterprises
- Creating an enabling environment for commercialisation of emerging livestock industries

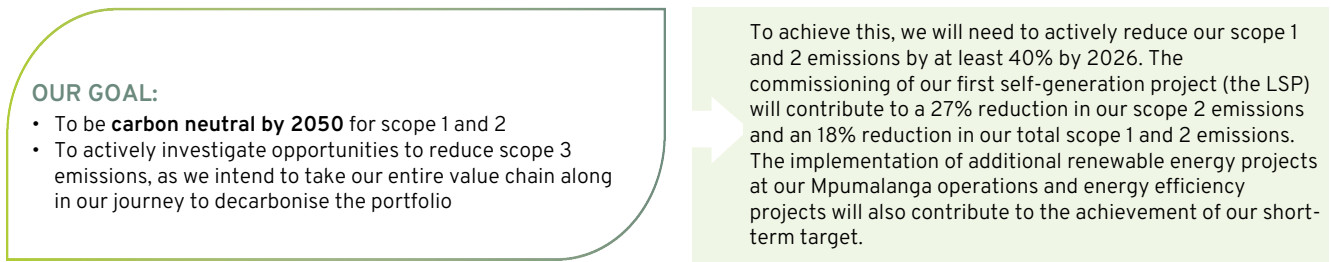
It is envisaged that these initiatives will not only have economic benefits for communities and South Africa, but will also contribute to increasing the adaptive capacity and resilience of communities in the face of climate change.

The signing of this MoU with the Agricultural Research Council reflects our commitment to contribute to the just transition in South Africa and beyond, and contribution to global climate adaptation efforts, especially given the focus on agriculture and food systems during COP28, which culminated in a COP28 Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action. This declaration indicates, among other issues, that the unprecedented adverse impacts of climate change are increasingly threatening the resilience of agriculture and food systems as well as the ability of many, especially the most vulnerable, to produce and access food. The declaration also recognises the profound potential of agriculture and food systems to drive powerful and innovative responses to climate change and to unlock shared prosperity.

Our objective is to continue prioritising strategic partnerships as we navigate towards the achievement of our business, climate change response and ESG strategies. We will also leverage the expertise of our partners to create impact and sustainable livelihoods for our communities.

## Transitioning into a low-carbon business continued

### Our decarbonisation plan



### Focus areas to meet our goal



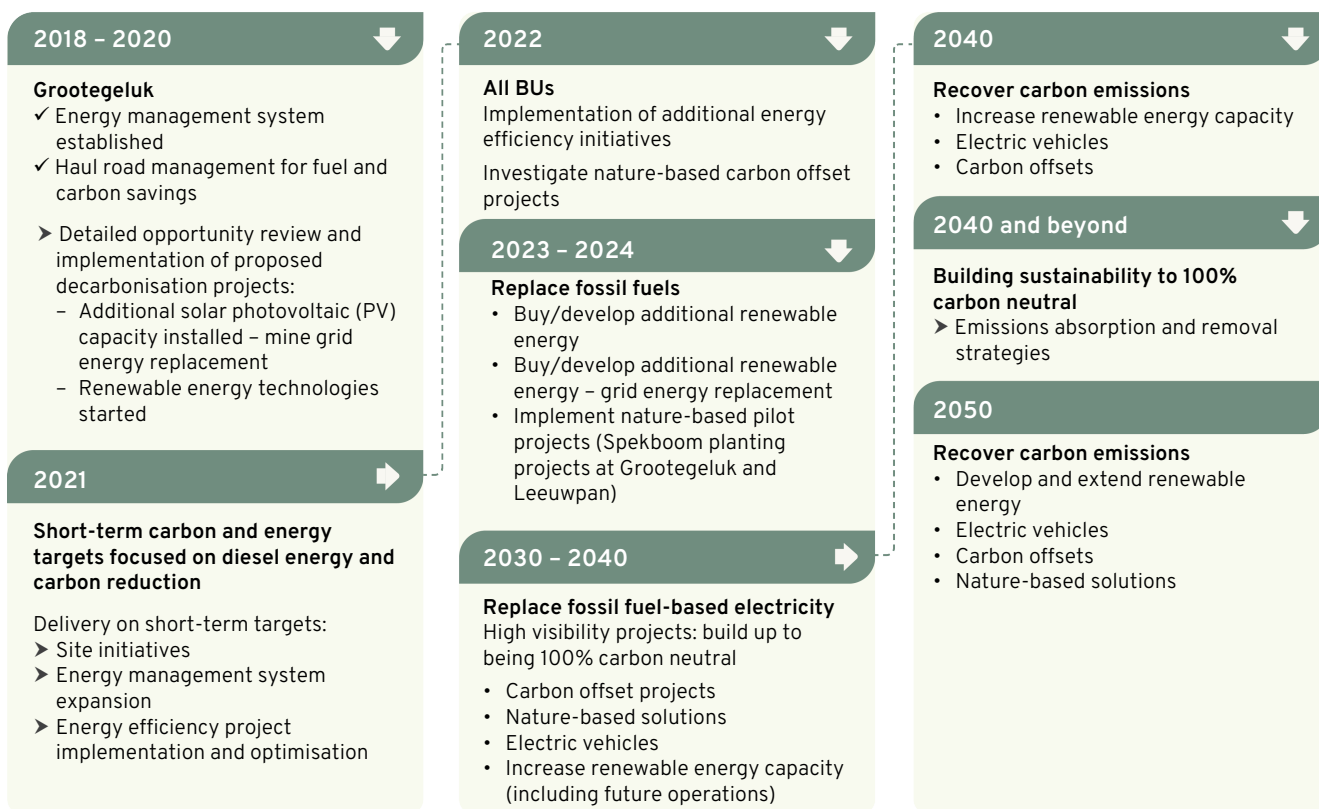
### Our decarbonisation workstreams

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

<p><b>Portfolio optimisation</b></p> <p>Integrate carbon neutral KPIs in organisational portfolio and capital allocation decisions</p>	<p><b>Sustainable impact optimisation</b></p> <p>Investigate how the decarbonisation plan can be integrated into our community development projects</p>
<p><b>Technology optimisation</b></p> <p>Investigate climate-smart technologies to reduce water, energy and waste risk, and develop an implementation approach for the group</p>	<p><b>Land assets optimisation</b></p> <p>Investigate our GHG exposure for agriculture, forestry and other land use sectors, and develop a decarbonisation plan that considers future land use activities</p>
<p><b>Carbon financial instrument</b></p> <p>Investigate global and local climate financing, and determine how to leverage our decarbonisation plan</p>	<p><b>Legal review</b></p> <p>Develop a legal review instrument to track climate legislation across jurisdictions which influence and impact on Exxaro</p>
<p><b>Supply chain optimisation</b></p> <p>Identify climate change risks and opportunities within our inbound and outbound logistics, and develop a mitigation plan</p>	<p><b>Training and awareness</b></p> <p>Work with the Exxaro university chairs to develop tailored climate change training and awareness material for employees and communities</p>
<p><b>Operation optimisation</b></p> <p>Support the streams by coordinating operational teams to provide data and develop site-specific execution plans</p>	<p><b>Marketing and logistics</b></p> <p>Engage and collaborate with end-customers to reduce our scope 3 emissions through optimising routes to reduce distance travelled, adopting more energy-efficient modes of transportation, improving the energy efficiency of transport vehicles and sourcing consistent and accurate data for quantifying emissions</p>
<p><b>System modelling stream</b></p> <p>Work closely with the stream lead and technical committee to develop a system-based decarbonisation model that will integrate all internal and external dimensions to support operational and strategic decision making for the group</p>	<p><b>Risk and audit stream</b></p> <p>Work closely with the stream lead and technical committee to ensure risks are accounted for from a strategic decision-making point of view for the group and data is transparent and auditable</p>

## Our roadmap to becoming carbon neutral

### Short-term carbon and energy targets focused on diesel energy and carbon reduction



✓ Complete ➤ Progress

Our strategy to diversify through investments in our low-carbon transition minerals and grow our energy business is key to addressing the impacts of climate change and reducing our scope 3 emissions. In addition, we have formed a strategic partnership with the Council for Geoscience on carbon capture, storage and utilisation technology to address our scope 3 emissions, of which over 98% are due to the use of our sold product during power generation. Despite the challenges, we continue to work with our value chain partners to provide carbon-neutral goods and services through our green procurement programme (energy efficiency and resource sourcing, environmental preferable sourcing and reverse logistics).

### Managing climate change-related risks

Climate-related risks and opportunities are considered as part of our ERM processes, which strive to embed risk management into existing processes to support informed decision making. We conducted a detailed climate change scenario analysis in 2019 and 2020 to identify these risks and determine their relative significance. These risks remain relevant to our context. However, we aim to leverage opportunities such as resource efficiency at our operations, growing our energy business, self-generation projects, investments in low-carbon transition minerals and developing adaptive capacity to respond to climate change at our operations and host communities.



Our response to these risks are unpacked in the [2020 Climate Change Response strategy report](#) (investor tab under integrated reports 2020) and [2020 climate change position statement](#) (sustainability tab).

Transition risks	
Credit and insurance risk	1
Carbon pricing risk	2
Market risk	3
Reputation risk	4

Physical risks	
Water security risk	5
Risk of heatwaves at our operations	6
Risk of drought	7
Risk of extreme rainfall days	8

Transition risks

### 1 Credit and insurance risk

Financial institutions are increasingly moving away from funding companies with high climate change risk exposure and intangible carbon reduction targets. Globally, funding of coal-related operations is being diverted to investment that supports a low-carbon economy. Locally, most commercial and development banks have indicated they will no longer fund new coal projects. The financial institutions are increasingly evaluating the impacts of climate change scenarios on borrowers' revenues, costs and property values, and how this could affect the probability of default and loan-to-value ratios at a borrower and portfolio level. This sentiment is likely to grow in the next five to 10 years as action increases to mitigate climate change impacts.

#### Impact on Exxaro

To manage this risk, the Sustainable Growth and Impact strategy is focused mainly on new renewable generation and minerals that can facilitate a cleaner future. This strategy was presented at our Capital Markets Day in 2021 and many financiers indicated their interest in this new business direction, mitigating some of the financial lending risk.

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

### 2 Carbon pricing risk

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

The nominal tax rate is R159/tCO<sub>2</sub>e. However, government allows specific tax-free allowances to facilitate a smooth transition to a low-carbon economy and mitigate competition among affected industries, reducing the rate to between R8 and R64/tCO<sub>2</sub>e. The carbon tax is based on fossil fuel inputs (such as coal, oil and gas use), and applies to entities with a total minimum installed thermal capacity of 10MW.

The first phase of the carbon tax (up to 2025) is not designed to affect the electricity price but to address concerns raised by the mining sector. National Treasury has been reviewing the impact of the carbon tax, its rates and tax-free threshold levels on business.

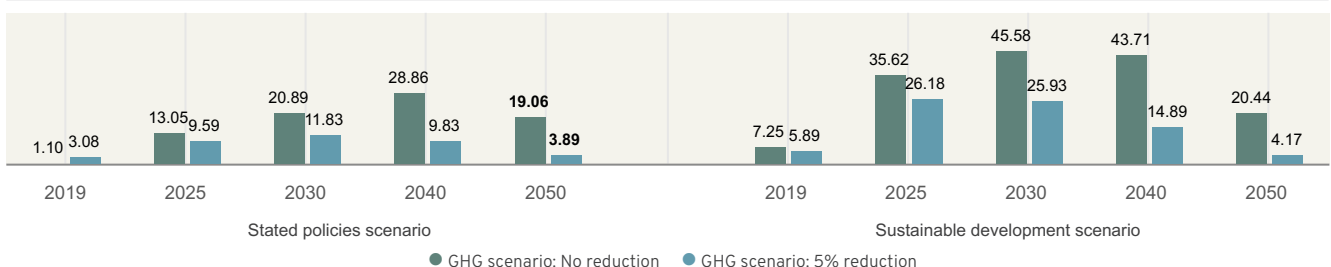
#### Impact on Exxaro

Our scenario analysis predicts an increase, in line with an international trend, in the South African carbon price. We expect the South African government to increase efforts to meet its Paris Agreement commitments (nationally determined contribution (NDC)) to transition the South African economy. Our calculations indicate that Exxaro's carbon tax liability will increase going forward, with liability figures of R38.6 million for 2026, R43.5 million for 2027 and R58 million for 2030, assuming that the current tax-free allowances will fall away from 2026 going forward.

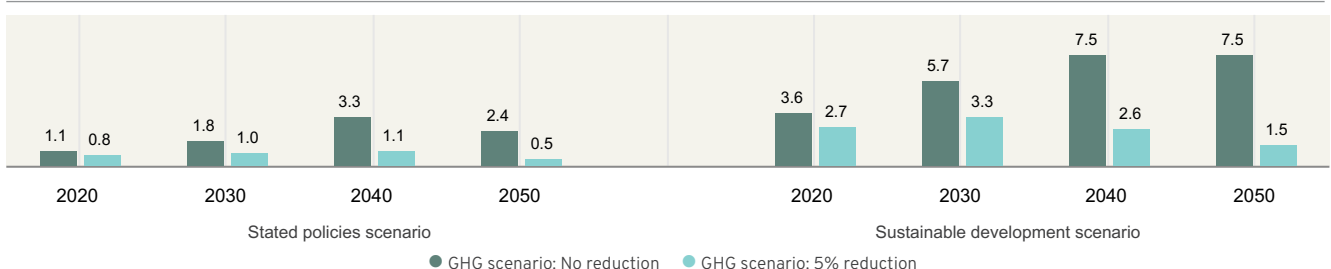
Our scenario analysis also identified increased carbon pricing and operating costs (such as higher compliance costs) as examples of climate-related policy risk. Carbon prices associated with emissions trading schemes, carbon taxes, fuel taxes and other policies are expected to rise as government reduces GHG emissions in line with the Paris Agreement.

The speed and rate of carbon price increases are uncertain and likely to vary across countries and regions. Our scenario analysis of carbon price risk exposure below shows the expected outcome based on the stated policies and sustainable development scenarios. The impacts of carbon pricing on exports to regions such as the EU, which is planning to implement the Carbon Border Adjustment Mechanism, will depend on Exxaro's export strategy, carbon intensity of exported goods and the EU carbon price for 2026 going forward.

Carbon pricing risk exposure (US\$m)



Projected increase in operating expenditure due to carbon pricing risk (% change)





### 3 Market risk

One of the major ways in which markets can be affected by climate change is through shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account.

#### Impact on Exxaro

The shift in fossil fuel and energy markets will have implications for our business portfolio resilience and transitioning process. Further, we also appreciate that climate change has created new markets, increased emissions reduction technology demand and supply, presented new financial instruments, and renewed efforts to mitigate fossil fuels and potential financial impacts on the business.

### 4 Reputation risk

Climate change has been identified as a potential source of reputational risk tied to changing stakeholder perceptions (investors, customers, communities, non-governmental organisations (NGOs) and government) of an organisation's contribution to or detraction from the transition to a lower-carbon economy.

The mining sector is exposed to the reputational risk of climate change – a threat to the credibility of its efforts to reposition itself as a more sustainable sector, and by extension to its licence to operate.

#### Impact on Exxaro

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

## Physical risks


### 5 Water security risk

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

Exxaro's flagship mine, Grootegeluk, is situated in the Waterberg region. It relies on the Mokolo and Crocodile River (West) Augmentation Project phase 1 water supply scheme for reliable water supply. Water from the Mokolo Dam is supplied via a 46km pipeline to the Lephalale area for the town, Eskom and Exxaro. The system can supply 30 million m<sup>3</sup> of water per year.

Exxaro has one active tailings facility (slimes dam 1 and 2) located at Grootegeluk. The facility has appointed operators and an engineer of record who are responsible for the management of the facility. The dam is not registered as a dam with a safety risk with the dam safety office. To manage the facility and limit the deposition of slimes to the slimes dam, Exxaro has operational cyclic ponds which are currently used for the slimes management at Grootegeluk.

#### Impact on Exxaro

 **Water security** (page 50) is the backbone of Exxaro's water strategy which was revised in 2017 to reduce our risk. The fundamental principle of our water management approach is sustainable use of water resources. The risk of water security has increased significantly at our Waterberg operation due to lack of perennial water basins and high temperatures. Our Waterberg operation currently has a negative water balance as it relies on an external source for its operational water requirements.

We will conduct a study in 2024 to evaluate our water resources at the operations for security of supply.

As part of the risk management and continuous improvement in the operation of the tailings facility, Exxaro has made the decision to adopt the Global Industry Standard on Tailings Management. This is part of the journey to ensure that the operation and governance of the tailings facility in the organisation is aligned to not only to the SANS standard but also international standards. There is continuous risk management at the operations which include appointed operators for the tailings facility, an appointed engineer of record as well as internal processes that are utilised for the tailings management.

## 6 Risk of heatwaves at our operations

Heatwaves are events where the maximum temperature at a given location exceeds the average maximum temperature of the year's warmest month by 5°C or more for at least three consecutive days. Downscaled climate models show that the Waterberg complex is predicted to experience a relatively higher number of average heatwave days than other Exxaro assets in Mpumalanga. The Waterberg operation will experience between 14 and 19 heatwave days from 2021 to 2040 (relative to 1961 to 1980). Our Mpumalanga operations are predicted to experience between eight and 13 heatwave days for the same period. This risk of heatwaves increases between 2041 and 2060 with Waterberg and Mpumalanga operations predicted to experience heatwave days of between 20 and 26, and 14 and 19 days respectively.

### Impact on Exxaro

An increase in heatwaves could result in negative health and safety impacts for employees, create occupational health risks such as heat stroke, and restrict employees' physical functions and capabilities.

Our proposed actions will enable employees and the business to cope with heat stress and include improving our health and safety policies and emergency response plans. We plan to improve communication through instantly alerting and updating affected employees and host communities on sudden or rapidly changing weather conditions. We are also investigating the review of personal protective equipment to ensure specialised personal protective equipment for extremely high temperatures and heatwaves is available to employees. We have also made recommendations for an industry-wide approach to specialised personal protective equipment for extreme weather events to enhance employees' health and safety.

## 7 Risk of drought

According to the Council of Scientific and Industrial Research Green Book – Detailed Projections of Future Climate Change over South Africa, there is a pronounced west-east rainfall gradient over the country. Over the eastern escarpment and east coast, for the period 2021 to 2050, relative to the period 1971 to 2000, under low mitigation, rainfall is projected to increase over the central interior and the east coast. The western interior, northeastern parts and the winter rainfall region of the southwestern Cape are projected to become generally drier.

### Impact on Exxaro

The Grootegeluk complex is in an area predicted to experience a higher level of drought severity than Exxaro's other sites – a trend that will increase over time. The increasing frequency of drought, particularly in the Waterberg, will increase our water security risks.

## 8 Risk of extreme rainfall days

On 13 March 2014, the Waterberg region received an unprecedented high rainfall in a 24-hour period, which led to operational interruption for five days.

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

### Impact on Exxaro

The flood event had a severe impact on our operations in terms of infrastructure damage, supply chain interruption, production stoppages, and employee and community safety. The frequency of extreme rainfall events is expected to increase in the Mpumalanga region.

# Delivering measurable results and impact

Monitoring, measuring and reporting on our performance ensures we improve our disclosure every year. We aim to do this accurately, transparently and consistently by:


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

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- Reporting on progress against ESG KPIs and targets, with key sustainability metrics in this report independently assured by KPMG**

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- Considering and responding to our stakeholders' needs and expectations**

 Further reading

- [Measuring our performance](#) (unpacked below)

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- [ESG KPIs](#) (page 21) and [assurance criteria](#) (page 192)







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- [Stakeholder-inclusive approach](#) (page 24)

## Measuring our performance

We benchmark our ESG performance against our peers who exhibit the global best practice expected by responsible investors. Global ratings agencies assess our ESG performance using publicly available information (annual reports, websites and media) in line with various criteria requirements.

As a result of our ESG approach, we proudly continue to benchmark above our peers in global ESG best practice.

	Our score
 <p>The Bloomberg GEI encourages organisations to improve their gender-related policies and practices through fostering greater transparency and accountability. The index includes public companies from various organisations, and tracks their performance and progress in gender equality and advancing women in the workplace.</p>	<p>Exxaro has been recognised in the 2023 Bloomberg GEI for the fourth consecutive year – a testament to our commitment to gender equality and inclusion.</p>
 <p>MSCI ESG Ratings evaluate and benchmark companies' ESG performance across various industries, enabling investors to integrate ESG considerations into their decision making and identify sustainable investment opportunities.</p>	<p><b>AA rating in the ESG ratings</b></p> <p>This rating, underpinned by our leading carbon initiatives and strong governance, improved from the A rating we received in 2022.</p>
 <p>The TPI compares companies' expected future carbon emissions with local and international targets as part of the Paris Agreement. It is used as a benchmark to determine commitment to corporate climate action. A high TPI ranking demonstrates that a company is strategically mitigating climate change and its effects.</p>	<p><b>4/4 rating</b></p> <p>We achieved the same rate compared to 2022, demonstrating our commitment to manage GHG emissions, which shows stakeholders that Exxaro is well positioned to benefit from opportunities presented by the low-carbon transition.</p>
 <p>Institutional Shareholder Services empowers investors and companies to build long-term sustainable growth by providing high-quality data, analytics and insight.</p>	<p>Exxaro was ranked at C with a very high transparency level and was counted among the industry leaders, which demonstrates our commitment to good corporate governance.</p> <p>Areas for improvement include publication and disclosure of how we mitigate our social and environmental risks, including business ethics, biodiversity and safety.</p>
 <p>Moody's assesses a company's ESG performance to provide insights to investors and stakeholders regarding how effectively organisations manage their non-financial risks and opportunities.</p>	<p><b>60/100 overall ESG score</b></p> <p>This is an increase of 15 points from our 2020 and 2021 scores – the governance category led the way with a score of 72/100.</p>
 <p>The Sustainalytics ESG rating measures exposure to industry-specific material risks (including company-specific factors such as the business model) and the company's management of those risks. Exxaro's exposure was rated high and management was rated strong, which indicates the robustness of our ESG programmes, practices and policies.</p>	<p><b>34.4 ESG risk rating</b></p> <p>Our rating reflects our commitment to robust ESG reporting, which follows recognised best practices.</p> <p>We continue assessing feedback from other ratings agencies to identify common assessment areas and opportunities for improvement.</p>

## Delivering measurable results and impact continued



FTSE Russell's ESG scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. The index series measures our ESG risks and impact performance in terms of themes relevant to our mining context.

### Our score

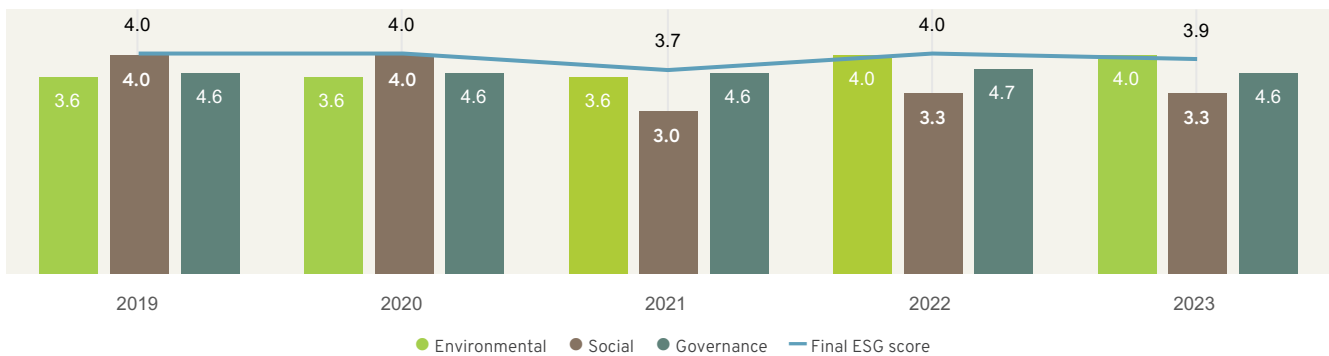
**3.9/5 overall ESG score**

Over the past five years, we have consistently achieved good scores, demonstrating our commitment to improving our performance. Despite the slight decrease this year, we remain ranked in the top quartile of global performers in the basic resources supersector.

The ESG report discloses performance against the following relevant themes:



FTSE Russell ESG Index – Exxaro's historical performance (score out of 5)



Year end 2023	Exxaro	Global coal sub-sector
Environment	4.0	2.1
Social	3.3	2.1
Governance	4.6	3.3

Source: FTSE Russell Corporate Performance Results.

We continuously aim to improve our disclosure, reporting transparently and ensuring our performance information is accessible to a broad range of stakeholders. We regularly engage with various rating agencies to ensure we continuously enhance our reporting.

We remain committed to independent assessment of our environmental performance, and piloted our participation in CDP Forests, which rating we hope to receive in future as part of our nature-based solutions projects.

## ESG KPIs

We manage our ESG KPIs as presented in the dashboard below. Performance is measured and monitored quarterly by Exxaro's board and executive committee.

We ensure strategy management is integrated with:

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

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

### KEY

#### Trend

▼ Deteriorated 
 ▲ Improved 
 ↔ Unchanged 
 ✱ New KPI this period


Natural capital						
KPI	Strategy	Target	2023	2022	Trend	
<b>Incidents</b>						
Reportable environmental incidents (levels 2 and 3)	Become a catalyst for economic growth and environmental stewardship	0 level 2s 0 level 3s	1 level 2 <sup>RA</sup> 0 level 3 <sup>RA</sup>	0 level 2s 0 level 3s	▼	
<b>Compliance</b>						
Stoppage directives (includes section 54 in terms of MHSA*)	Empower people to create impact	0	4 <sup>RA</sup>	7	▲	
Stoppage directives (includes directives in terms of NWA, NEMA and MPRDA**)	Become a catalyst for economic growth and environmental stewardship	0	0 <sup>RA</sup>	0	↔	
<b>Valid authorisations in place</b>						
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%	100%	↔	
Projects	Become a catalyst for economic growth and environmental stewardship	100%	100%	100%	↔	
<b>Compliance to valid licences/authorisations in place***</b>						
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	97%	100%	▼	
Projects	Become a catalyst for economic growth and environmental stewardship	100%	100%	100%	↔	
<b>Environmental liability provisions in place***</b>						
Commercial and captive operations	Become a catalyst for economic growth and environmental stewardship	Between 80% and 80% to 100% and 100%	Between 50% and 80%	Between 50% and 80%	↔	
<b>Environmental management</b>						
Carbon intensity (scope 1 tCO <sub>2</sub> e/total kilotonnes mined (kTTM))	Be carbon neutral by 2050	Actual for previous year less 5%	> 5% reduction	0.5% increase	▲	
Carbon intensity (scope 2 tCO <sub>2</sub> e/kTTM)	Be carbon neutral by 2050	Actual for previous year less 5%	> 5% reduction	0.8% increase	▲	
Water intensity (kL/tonne RoM)	Become a catalyst for economic growth and environmental stewardship	0.15 to 0.18	0.10 <sup>RA</sup>	0.15	▲	
Physical rehabilitation (actual versus budget)	Become a catalyst for economic growth and environmental stewardship	0% deviation from budget	Between 0% to 25% deviation from budget	Between 25% and 50% deviation from budget	▲	

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



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


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

## Delivering measurable results and impact continued

 <b>Human capital</b>					
KPI	Strategy	Target	2023	2022	Trend
<b>Safety</b>					
Number of fatalities	Empower people to create impact	0	0 <sup>RA</sup>	1	▲
LTIFR <sup>#</sup>	Empower people to create impact	0.05	0.07 <sup>RA</sup>	0.05	▼
LTIs <sup>#</sup>	Empower people to create impact	7	11 <sup>RA</sup>	7	▼
<b>Health</b>					
OHIFR <sup>#</sup> reported	Empower people to create impact	0.18	0.15 <sup>RA</sup>	0.16	▲
People who received HIV/Aids awareness training	Empower people to create impact	90% to 100%	92.92%	116.5%	▼
Employees who received awareness training and voluntarily tested for HIV/Aids	Empower people to create impact	68% and above	69%	70.6%	▼
HIV/Aids prevalence rate compared to country prevalence rate	Empower people to create impact	Less than country prevalence rate	1% to 10% less than the country prevalence rate	1% to 10% less than the country prevalence rate	↔
<b>Skills</b>					
Skills provision (percentage of appointment of employees within)	Empower people to create impact	60%	73.66% <sup>RA</sup>	64%	▲
Scarcity skills retention (percentage turnover)	Empower people to create impact	5%	4.5% <sup>RA</sup>	4.4%	▲
<b>Security</b>					
Fraud and corruption/asset destruction	Empower people to create impact	0%	0%	0%	↔

<sup>#</sup> Lost-time injury frequency rate (LTIFR), lost-time injuries (LTIs) and occupational health incident frequency rate (OHIFR).

 <b>Manufactured</b>		 <b>Intellectual capital</b>			
KPI	Strategy	Target	2023	2022	Trend
<b>Operational performance</b>					
System availability (Core P1 and enterprise resource planning solutions)	Make our minerals and energy businesses thrive	97%	98.66%	97.49%	▲
Information management projects (cost overrun)	Make our minerals and energy businesses thrive	0% over budget	73% under spent	5% under budget	▼
Information management projects (time overrun)	Make our minerals and energy businesses thrive	0% behind schedule	22% behind schedule	0% behind schedule	▼

 <b>Financial capital</b>					
KPI	Strategy	Target	2023	2022	Trend
EBITDA margin (managed operations) (%)	Make our minerals and energy businesses thrive	29	35	41	▼
ROCE <sup>#</sup> (%)	Make our minerals and energy businesses thrive	20	20	35	▼
Solvency ratio (times)	Make our minerals and energy businesses thrive	2 to 3	3.5	3.3	▼

<sup>#</sup> Return on capital employed (ROCE).



**Social and relationship capital**

KPI	Strategy	Target	2023	2022	Trend
<b>Employment equity</b>					
Black ownership at group level	Become a catalyst for economic growth and environmental stewardship	30%	47.10%	47.10%	↔
People with disability representation	Empower people to create impact	2%	1.69%	1.61%	▲
Human resources development spend as % of payroll – Mining Charter III	Empower people to create impact	5%	5.04%	5.53%	▼
HDP <sup>†</sup> representation – top management	Empower people to create impact	50%	50.00%	66.66%	▼
HDP representation – senior management	Empower people to create impact	60%	73.33%	68.91%	▲
HDP representation – middle management	Empower people to create impact	60%	83.44%	80.92%	▲
HDP representation – junior management	Empower people to create impact	70%	82.31%	81.16%	▲
Women representation in top management bands	Empower people to create impact	20%	25.00%	33.33%	▼
Women representation in senior management bands	Empower people to create impact	25%	30.67%	22.97%	▲
Women representation in middle management bands	Empower people to create impact	25%	45.31%	40.62%	▲
Women representation in junior management bands	Empower people to create impact	30%	34.03%	32.41%	▲
<b>Business sustainability</b>					
B-BBEE level	Empower people to create impact	Level 1	Level 2	Level 3	▲
Enterprise development (percentage of NPAT <sup>†</sup> )	Empower people to create impact	1%	0.74%	0.49%	▲
Supplier development (% of NPAT)	Empower people to create impact	2%	0.88%	0.83%	▲
Socio-economic development (percentage of NPAT)	Empower people to create impact	1%	0.58%	0.93%	▼
Skills development expenditure on learning programmes in the learning programme matrix for black people as a percentage of leviable amount – B-BBEE	Empower people to create impact	3.1%	3.16%	3.15%	▲
<b>SLPs<sup>†*</sup></b>					
Project delivery measure – local economic development projects per SLP time variance from plan	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	18% behind schedule	40% behind schedule	▲
Cost variance from plan	Become a catalyst for economic growth and environmental stewardship	0% over budget	44% under budget	16% over budget	▼

<sup>^</sup> The trend-based indicators are in accordance with Exxaro's internal sustainability framework.  
<sup>†</sup> Historically disadvantaged person (HDP), net profit after tax (NPAT) and social and labour plans (SLPs).

\* Refer to page 96 for SLP performance.

**Recognition of our performance**

ESG performance is becoming more prominent as various stakeholders are increasingly looking at ESG factors to inform investment and lending decisions – measuring and assessing Exxaro's exposure to ESG risks, and our mitigation and management efforts relative to our peers.

We aim to continuously improve the transparency and accuracy of our reporting. We received several accolades this year in recognition of our efforts:

Chartered Governance Institute of Southern Africa

Our 2023 integrated report was the **overall winner** in southern Africa at the 2023 CGISA Integrated Reporting Awards because it provided a clearer perspective of our business performance

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We achieved **7th place** at the 2023 EY Excellence in Integrated Reporting Awards. Our placement in the top 10 over the past two years reflects our commitment to integrated thinking in strategic decision making

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Exxaro was a **finalist in five of the seven categories** as a mid-cap player, and took **second place in the best company for social responsibility: mid-cap category** in the annual ESG Investing Corporate ESG Awards. The awards recognise the best listed company of all sizes, across all industries and regions, four ESG pillars, two reporting categories and an overall ESG and sustainability category

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Exxaro was a **finalist in the DEI category** at the Sustainability Leaders ESG intelligence platform's World Sustainability Awards

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Recognised as a **top employer** in South Africa for 2023 by the Top Employers Institute – recognising our efforts in being an employer of choice

Recognised as **one of the top five best managed diversified mining companies** for 2023 by the Top Empowerment Awards and top 500 publication among approximately 40 000 companies in South Africa based on ESG reports, integrated reports, annual financial statements and B-BBEE verification. We also received the **DEI in the Workplace of the Year Award**

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**Six safety awards** received at the 2023 COALS SAFE Awards – reflecting the progress we have made towards our goal of zero harm

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**Ranked 15th** – demonstrating the value we have created for our shareholders

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**Finalist** in the aNewSpring Global Awards – recognising our climate change e-learning course

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Received a **Silver Sponsor Award** – recognising our commitment to raise R20 billion with government over a five-year investment period

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Ranked in the **top 100** of Africa's fastest growing companies in the fintech, renewable energy, healthcare, commodities and agriculture sectors by Financial Times and Statista

We recognise our responsibility to participate in global movements towards transitioning to a low-carbon world and supporting prosperous and safe communities through broader environmental stewardship and empowering people to create impact.

Read the case study about [Exxaro's contribution to COP28](#) (page 33).

# Stakeholder-inclusive approach

Strong stakeholder relationships are critical to supporting Exxaro’s business success, particularly during challenging periods and times of change. Stakeholder surveys indicate that our relationship strength varies but is generally high and comes with high expectations.

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**PARTNERSHIPS FOR THE GOALS**


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

## Our stakeholder context and engagement approach

The current operating environment continues to be characterised by high demand for service delivery and job creation to advance social progress, an incoherent political context with policy uncertainty, geopolitics and economic and market volatility threatening livelihoods through inflation. Business is increasingly called to intervene and apply its resources to the advantage and benefit of communities and society. We follow an intentional engagement approach in our response to stakeholders, which involves aligning our thoughts, decisions, actions and expected outcomes. This approach has been in place since 2017 and guides us in creating mutual value with our stakeholders.

### Structure for intentional engagement

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

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

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

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

We are responding to issues raised and interests highlighted by stakeholders in our 2022 reputation tracking survey and regular engagements in 2023.

 Read about how we are [engaging with shareholders on our climate commitments](#) (integrated report, page 43).

## Stakeholder universe

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





### Quality of relationship

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



No existing relationship or the relationship has challenges



Good relationship with opportunity for improvement



Established relationship but can be improved



Very strong relationship based on mutual trust and respect

#### Government

Detailed disclosure:

[Social](#) (page 67)



Stakeholders in this category include the Department of Mineral Resources and Energy (DMRE), Department of Public Enterprises, Department of Health (DoH), dtic, Department of Cooperative Governance and Traditional Affairs, Presidency, Parliament's Portfolio Committee on Agriculture, Land Reform and Rural Development, the Presidential Climate Change Commission, the Mpumalanga and Limpopo premiers' offices, local municipalities, Industrial Development Corporation of South Africa, South African Local Government Association, Municipal Infrastructure Support Agent and provincial growth agencies.

#### Engagement purpose

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

#### Engagement methods

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

#### Stakeholder expectations and issues

- The role of big business in solving broader societal issues
- Responsible water management, minimising environmental impact and overcoming climate change issues
- Community-related actions around post-mine business, job development and broader community upliftment\*
- Innovation and industry thought leadership
- Transnet Freight Rail (TFR) performance
- Socio-economic development\*
- Municipal service delivery\*
- Local procurement\*

#### Our response

Several partnerships and initiatives enable us to address government's expectations, including:

- Facilitating SLP development consultation and regularly collaborating on projects
- Refining and consolidating the Sustainable Growth and Impact strategy
- Implementing the Social Impact strategy
- Collaborating with the Limpopo and Mpumalanga health departments

\* Refer to the [communities](#) table on page 29 for information on this multi-stakeholder issue.

#### Outcomes and value delivered



- Socio-economic development: R1 897 million through SLP projects (particularly infrastructure), skills, local procurement and SMME development
- Corporate social investment (CSI): R71.95 million
- Campaign against gender-based violence (GBV): Committed R3.5 million over two years to government's anti-GBV fund
- Taxes: R1 652 million employee tax and R5 039 million company tax contributions to the national fiscus

## Regulators

### Detailed disclosure:



[Environment](#) (page 32) and [prioritising safety](#) (page 72)



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

### Engagement purpose

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

### Engagement methods

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

### Stakeholder expectations and issues

- Improve communication on plans and strategies
- Water use licences (WULs)
- Comply with new standards for discard dumps

### Our response

- Reporting quarterly as required by our regulatory bodies
- Ensuring robust internal auditing processes, strategies and management controls to improve compliance and risk mitigation
- Engaging proactively with government, including the:
  - DWS and DFFE on decant at Durnacol and Hlobane mines in closure
  - DMRE on Matla mining right renewal (providing useful guidance and traction on applications)
  - DWS and DMRE on discard dumps
  - DWS and Water Tribunal on Matla WUL renewal
- Regularly reviewing and actioning complaints received at mines
- Processing information requests through the Promotion of Access to Information Act, 2000 (Act 2 of 2000) (PAIA) and managing them accordingly

### Outcomes and value delivered



- Ongoing compliance with regulations
- A number of stoppage notices and deviations noted

## Employees

Detailed disclosure:



[Engaged employees](#) (page 80), [remuneration report](#) (page 168)

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

### Engagement purpose

- Identify opportunities to collaborate on and co-create solutions with employees
- Demonstrate our progress against goals through regular communication
- Align employees' focus, profile and development efforts with our strategy and culture
- Empower employees to manage change through information sharing and capabilities training
- Identify opportunities for skills development as we transform and transition our business
- Strengthen our culture
- Distinguish competitive advantage
- Promote resilient business performance
- Improve employee engagement/morale
- Build capabilities
- Improve trust and relationships
- Education
- Awareness
- Employee engagements provide an opportunity for employees to be heard

### Engagement methods

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

### Stakeholder expectations and issues

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

### Our response

- Engaging on the performance of the new group incentive scheme (GIS) and line of sight (LOS) incentive schemes, the organisational effectiveness project at head office, the CEO's family code of conduct, safety and wellness (including masterclasses on topics such as stress and resilience) in 2024
- Facilitating women in mining team awareness sessions on GBV, LGBTQIA++, governance succession planning and mentorship training
- Promoting informal mentorship programmes at head office
- Communicating the FerroAlloys divestment decision
- Expanding communication on diversity and equity at head office and BUs with a key focus on promoting inclusion of traditionally marginalised groups such as women, the LGBTQIA++ community, black people and people living with disabilities
- Intensifying engagement efforts through our listening and employee engagement strategy, which forms part of understanding insights on critical issues for priority, demonstrating our commitment towards delivering on our priorities

### Outcomes and value delivered



- Paid R4 806 million in employee salaries, wages and benefits, including GreenShare employee scheme
- Continued intense focus on safety: LTIFR below the 0.05 target

**Labour unions**

Detailed disclosure:



[Engaged employees](#) (page 80)

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

**Engagement purpose**

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

**Stakeholder expectations and issues**

Ongoing issues for labour organisations are employee wages and benefits, health and safety, diversity, learning and development, reskilling the workforce and post-mine business development.

Dissatisfaction with the new LOS incentive scheme is surfacing with production cutbacks due to Transnet challenges.

At Grootegeluk, AMCU is close to the recognition threshold, which could be part of wage negotiations in 2024.

**Engagement methods**

- Ongoing monthly engagements at BUs and quarterly at employer level (Exxaro Coal and Exxaro Coal Mpumalanga)

**Our response**

- Communicating business/financial performance, social impact, DEI and transformation initiatives as and when updates are available
- Engaging on the impact of Transnet’s performance challenges
- Agreeing to NUM’s request for higher thresholds in future when unions require recognition
- Planning to manage potential union rivalry as AMCU nears the recognition threshold

**Outcomes and value delivered**



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



## Communities

Detailed disclosure:

 [Co-creating and preserving value with communities \(page 92\)](#)



We operate in four local municipalities in Limpopo and Mpumalanga, with closed mines in three other municipalities, including two in KwaZulu-Natal.

### Engagement purpose

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

### Engagement methods

- Quarterly stakeholder engagement forums
- Participation in district and provincial engagement platforms
- Socio-economic impact assessments every five years
- Quarterly external BU newsletters
- Community protests at mines
- Ongoing participation in multi-stakeholder, collective impact structures such as the Impact Catalyst\* – a partnership to create mechanisms that drive large-scale socio-economic initiatives

### Stakeholder expectations and issues

Community expectations remain consistent across all our host communities. These include:

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

### Our response

- Engaging with communities and local municipalities through stakeholder engagement forums to address local recruitment and procurement expectations:
  - The board met with Mpumalanga host communities in 2023 to address common concerns (including employment and local procurement, training and development opportunities for youth, engagement with traditional authorities and collaboration in addressing crime)
- Determining and developing impact projects that reflect South African diversity in SLP projects (including education) for beneficiaries and development partners
- Leeuwpan:
  - Engaging with traditional authorities to address community protests about procurement and recruitment opportunities in 2023
  - Continually engaging with the local municipality to facilitate SLP project delivery
- Durnacol:
  - Addressing employment of local people by the rehabilitation contractor
  - Reviewing supply chain management processes for mines in closure
  - Investigating digital training and development opportunities for employees and communities
  - Advancing community development initiatives (including tree planting at several local schools and the water treatment project proceeding to design phase)
- Hlobane:
  - Advancing the water treatment project (now in design phase)
  - Planning to hand over Kids on Bikes to the local school in 2024
- Grootegeluk:
  - Resolving the local business forum's call to disband the mine's existing engagement forum through direct engagement
  - Addressing misinformation about recruitment and procurement during stakeholder engagement forums
  - Continuing regular socio-economic development engagements and media communication
- Belfast:
  - Addressing delays in completing LED project with the Emakhazeni local municipality
  - Regularly engaging with LED and municipality managers and the stakeholder engagement forum
  - Closing off complaints for the year
  - Hosting the first stakeholder day for SMME engagements on funding and other procurement issues
- Matla:
  - Continuing to focus on youth development in 2023 (through the Lula Rides and SME.TAX programmes as well as driving licence training with our contractors, Komatsu and Jordan Construction, for 52 community members)
  - Meeting with local traditional leaders to address concerns about LED projects raised during board engagements
  - Addressing farm labourers' water and sanitation concerns (challenged by land tenancy status) by seeking advice on the matter
  - Effectively collaborating with the social facilitator and GaNala executive forum to minimise community protests in 2023
  - Resolving delays (in 2024) in implementing LED projects due to changes in the project management team

### Outcomes and value delivered



- Contributed R86.91 million towards socio-economic development programmes in communities
- Aga Setshaba donated R26.93 million
- Invested R14.5 million in SLP infrastructure projects, providing 29 temporary construction jobs and services (education infrastructure and waste management) for 30 745 beneficiaries
- 25 000 learners benefited from our R40.4 million investment in early childhood development (ECD), whole school development, school infrastructure and resources and research and development (university chairs)
- Matla LoM capital expansion project employed 125 local people (skilled, semi-skilled and labourers) – more than core skilled employees of main contracting companies
- ESD programme approved R1.1 million in grants and R110.2 million in loans for 14 entities
- Total procurement spend on local SMMEs was 11% (achieving our 11% target) – Exxaro empowered 263 local black-owned SMME suppliers

\* The Impact Catalyst is a collaborative partnership founded by Anglo American, the Council for Scientific and Industrial Research, Exxaro and World Vision South Africa to create mechanisms that drive large-scale, socio-economic development initiatives through public-private partnerships. The initiatives are designed to leverage collaboration across sectors – selected for impact beyond the scale of individual participants. Joint programmes are established between the Impact Catalyst and the Office of the Premier in certain provinces through collaborative regional development platforms. The first regional socio-economic development platform was launched in Limpopo in 2018, focusing on improving health, wellbeing and living conditions. The Impact Catalyst then expanded to include Mpumalanga and Northern Cape communities.

Detailed disclosure



Investors



[Chairperson's statement](#) (page 8) and [our strategy](#) (page 47) (integrated report)



[Measuring our performance](#) (page 19) and [remuneration report](#) (page 168)

Our investors include shareholders (78.5% South African and 22.1% offshore) and analysts. We include ESG ratings agencies (such as FTSE Russell, MSCI and Sustainalytics) in this stakeholder group.

Engagement purpose

We prioritise regular engagement with our shareholders to keep them well informed and updated on our strategy, performance, capital allocation, dividends, remuneration and other governance policies. We aim to foster transparency, maintain our reputation, and promote our ESG performance. We also aim to demonstrate how we preserve shareholder value, protect returns and prudently allocate capital while upholding a strong culture of transparency – enhancing our ability to access capital and facilitating the successful execution of our Sustainable Growth and Impact strategy.

Through these continuous updates, we build trust and enhance our overall reputation as a responsible and sustainable business.

We proactively seek engagement with underweight and non-holder investors to gain a deeper understanding of their views on Exxaro and their specific investment criteria. This allows us to gather valuable insights that help us better align our strategies with market expectations.

We engage with ESG ratings agencies to gain valuable feedback and recommendations that inform our efforts to enhance our overall ESG ratings. These ratings, in turn, shape external perceptions of our performance and guide our ongoing strategy development.

Stakeholder expectations and issues

Engagements with investors in 2023 focused on key themes such as capital allocation and deployment strategies, and cash retention in light of our strategy. Discussions also focused on our growth ambitions to transition away from coal into new minerals opportunities and growing the energy business. The availability of value accretive opportunities in the identified minerals and Exxaro's ability to successfully execute on these are key concerns for investors. The ongoing rail logistics issue remains a key concern for investors given the impact this has on our export business.

Regarding engagements on ESG matters, investors indicated general satisfaction on Exxaro's transparency around ESG. Many indicated that previous concerns were adequately dealt with. Remuneration was a key theme of the 2023 governance roadshow, with largely positive investor sentiment towards Exxaro's remuneration approach. More detailed disclosure on Exxaro's scope 3 emissions reduction roadmap was requested and some investors indicated that they are actively encouraging a higher level of accountability around the sustainability function at Exxaro. The non-tabling of resolutions proposed by Just Share was raised as a concern of several investors. However, most investors were satisfied that the board was proactively engaging with Just Share on the issues raised.

Engagement methods

- Interim and annual results presentations and roadshows
- Finance director's pre-close message and calls
- Annual non-deal and governance roadshows
- Capital Markets Day and site visits
- Underweight and non-investor engagements
- Conferences
- Solicited meetings
- AGM
- Sell-side roundtables
- Investor/industry and climate conferences
- Investor perception surveys

Our response

- Keeping shareholders informed about progress, updates and milestones related to the above key themes through a proactive investor relations engagement calendar
- Regularly engaging with investors through the engagement methods mentioned above and other channels such as investor presentations, annual reports, speaking opportunities and press releases, etc
- Clearly articulating Exxaro's investment thesis, outlining the risks and rewards of transitioning away from coal and into new minerals, growing the energy business, and providing insights into the market and economics that exist within these opportunities
- Clearly articulating Exxaro's capital allocation strategy, cash retention strategy and value-driven approach towards investment decisions and potential M&A activity to support the long-term operational needs and growth of the business
- Communicating rail logistical updates and Exxaro's commitment to working collaboratively with industry stakeholders to find a solution to this issue
- Communicating our remuneration approaches as appropriate during engagements to reduce ambiguity
- Communicating Exxaro's proactive approach to addressing societal issues and economic inequality through the Social Impact and DEI strategies
- Considering investor feedback in our reporting suite and implementing suggestions that enhance the credibility, transparency and robustness of our reports

Outcomes and value delivered



- R5 505 million dividend payouts to shareholders (R10.10/share) and special dividend of R5.72
- Our FTSE Russell ESG index score remained high at 3.9/5

## Customers

Detailed disclosure:



[Operational performance](#) (integrated report, page 90)

We have domestic and offshore customers in Europe, Asia and other markets. Eskom remains our largest customer with 73% of our sales (2022: 75%). The lower energy availability factor in 2023 impacted Eskom's offtake of coal across several power stations.

### Engagement purpose

- Understand customers and strategic partners' requirements and foster mutually beneficial relationships through continuous engagement and information sharing
- Engagements focus on the environment (including scope 3 emissions mitigation), trends, market sentiment, exploring future relationships and improving operational and financial performance

### Engagement methods

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

### Stakeholder expectations and issues

- Quality, consistent and reliable product supply and responsive service
- Improved communication and demonstrations of our approach to solving societal issues, improving the lives of our communities, minimising our environmental impact, becoming climate resilient and addressing climate change issues
- Customers in several market segments are vulnerable to the economic climate, inflationary pressure, weakening rand, sluggish growth and the impacts of load shedding on production (including increases in operating costs due to the use of diesel generators)

### Our response

- Increasing engagements with customers about their challenges
- Facilitating strategic discussions to strengthen relationships in the longer term

### Outcomes and value delivered

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

## Suppliers

Detailed disclosure:



[Supply chain sustainability](#) (page 105)

Suppliers are crucial participants in our value chain. We have over 5 000 active registered vendors in the provinces where we operate. We categorise our suppliers as strategic, SMMEs and local.

### Engagement purpose

Engagements aim to achieve mutually beneficial operational, financial, environmental and social impact goals.

### Engagement methods

- Direct, proactive engagement with strategic suppliers in line with our supplier relationship management framework
- Contract reviews
- Quarterly contractor forum platform at our BUs
- Interaction via our vendor services helpdesk

### Stakeholder expectations and issues

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

### Our response

- Regularly engaging with strategic suppliers (as part of our supplier relationship management programme) to address key issues: cost savings, supplier diversity and transformation (black ownership and participation), supply security, risk management and decarbonisation strategies
- Publishing user-friendly guidelines (for Exxaro's procurement systems, policies and processes) on our website to address SMME supplier concerns highlighted in the 2022 reputation survey
- Communicating our local procurement strategy and sharing progress at BU stakeholder engagement forums
- Supporting local suppliers by providing education about accessing business and funding opportunities

### Outcomes and value delivered

- Immediate payment terms for SMMEs
- 11% of total procurement spend with local black-owned SMMEs