

# 03

## Strategically positioning the business for growth

We are acutely aware of the delicate balance between a rapid energy transition and a fair, equitable shift that benefits all stakeholders. Through our Sustainable Growth and Impact strategy, we are positioning Exxaro for sustainable growth and a meaningful impact for all our stakeholders.

45 CEO's report

47 Our strategy

50 Performance against our strategy and outlook



# CEO's report

Reflecting on our rich history of innovation and resilience, this past year has further solidified Exxaro's dedication to sustainable growth and impact amid the complex tapestry of global economic challenges. I am pleased to present the progress we have achieved, the obstacles overcome, and the forward-looking vision that guides our journey ahead.

**Dr Nombasa Tsengwa**  
CEO



## Delivering sustained value in a turbulent context

Despite the anticipated downturn in China's property sector, the seaborne iron ore market found support as expected cuts in steel capacity proved modest, and the easing of the property market policy later in the year bolstered sector sentiment.

Thermal coal markets witnessed a resurgence in Indian demand, spurred by economic growth and increased energy requirements. This coincided with China's heightened coal imports after the Australian trade ban was lifted in 2020. Conversely, European and northeast Asian demand softened, with ample coal and gas stocks leading to price reductions.

Stronger renewables availability further curtailed Europe's dependency on gas and coal. Yet, as the year concluded, new uncertainties from geopolitical conflicts and potential natural gas supply issues contributed to volatile energy market dynamics.

Domestically, challenges persisted with Transnet's operational issues, resulting in a multi-decade low in RBCT coal exports. Additionally, Eskom's operational hurdles curtailed coal offtake, particularly from the Waterberg region. Although production saw a 1.4% reduction, this outcome still stands as a testament to our team's capability, especially in navigating and mitigating the impacts of the logistical constraints that have affected our export sales.

### [Our operating context](#) (page 14)

Wind energy generated from the Cennergi operations increased by 8% compared to 2022 as wind conditions improved in 2023. Although Tsitsikamma experienced an Eskom distribution line fault in the first half of the year, resulting in 15GWh of lost generation over a one-month period, an improvement in wind performance was noted and the average plant availability of 97.3% was above the contracted 97%.

While group EBITDA decreased by 29% to R13.4 billion, this was our second highest EBITDA following record thermal coal prices in 2022. This was driven primarily by lower export prices and lower sales volumes for domestic and export. We delivered headline earnings of R46.81 per share, 22% lower than in 2022. The coal business's EBITDA margin decreased by 9% from 42% to 33%, while Cennergi's operational EBITDA margin remained stable at 80%. We achieved an annualised ROCE of 35%.

This achievement is attributable to our high basket price performance and efforts in efficient capital deployment and cost management. These will be critical performance areas as we embark on our growth journey ahead.

## Enabling sustainable growth and impact through strategic foresight

While Exxaro's legacy is steeped in our country's industrial growth, we have a responsibility to transition to support a sustainable future. Our tangible growth is reflected in the robust expansion of our market capitalisation, escalating from R20 billion at our inception in 2006 – when we set out to achieve our purpose of powering better lives in Africa and beyond – to R71 billion today. Today, we are transitioning from a history rich in mining to engaging with the energy landscape of tomorrow, drawing on the same commitment that steered us through past challenges and successes.

Our strategy champions the outcomes of energy security, endorses resources powering a clean world, and upholds an energy transition that ensures the path to carbon neutrality by 2050 is both viable and responsible.

Aligned with our commitment to ensuring energy security – meeting today's needs while supporting a sustainable future for all – our early value strategy focuses on optimising coal reserves to minimise the risk of stranded high-value assets while improving operational cost efficiency. In this regard, we concluded a capital excellence programme to improve our capital project delivery and enhance value during the year.

Our assets remained cost competitive and continue to deliver operational EBITDA margins of 80%. The group's augmented capital investment in Grootegeluk and Belfast saw a 57% increase over the previous year, which also speaks to the fact that the strategy is working. Our early value strategy and market to-resource optimisation enabled us to achieve the record average price realisation of 97% against the API4 index – an increase of 4% compared to 2022.

### [Business resilience](#) (page 92)

The success of our coal business bolsters our financial resilience, enhances our capital strategy, and positions the group to capitalise on new opportunities and drive innovation for sustainable profitability and growth.

Pursuing our ambition to deliver resources powering a clean world, we seek to evolve from our coal-centric beginnings towards future-focused minerals and energy resources.

This transition is epitomised by our wholly owned subsidiary Cennergi, founded in 2009, delivering 229MW of clean energy to Eskom.

## CEO's report continued

We aim to grow the business to become a leading energy solutions provider with a 1.6GW generation capacity by 2030. With the financial close of the LSP, Exxaro has further cemented our investment in energy, exemplifying our dedication to sustainable solutions.

Our venture into resilient, energy transition minerals is equally strategic, building on a legacy that adapts to ever-changing market dynamics. Our cash generation remains robust at R13.3 billion, enabling us to bolster our net cash position with R5.2 billion to R10.5 billion, putting us on a solid footing to execute our growth strategy.

The insights garnered through meticulous evaluations of potential opportunities in critical minerals and energy sectors over the past years have honed our expansion strategy. Continuous investment in market intelligence and capability strengthening positions us to forge partnerships that are as robust as they are insightful, ensuring judicious execution of the most value-accretive deals.

It therefore gives me great pleasure to welcome our new chief growth officer, Richard Lillieke. With his extensive banking and investment management background, Richard has successfully led numerous merger and acquisition transactions across the continent. We are delighted to have him join our executive team and excited about the leadership and expertise he will bring to our minerals and energy growth strategy.

As we unlock value and invest in areas with significant growth potential that align with our vision for sustainable impact, we have commenced the divestiture of the FerroAlloys business, which we identified as non-core to our future direction. With a focus on enhancing black economic participation, the sale of FerroAlloys is targeted to promote black ownership – a sale process we anticipate concluding in the second half of 2024.

An energy transition remains central to our ethos. As we shift towards a low-carbon business model, we must do so in a manner that is equitable and inclusive for all stakeholders. Our commitment to this transition is not only about reducing our environmental footprint but also about ensuring that the shift supports equitable socio-economic development, particularly in the areas where we operate.

Exxaro is investing in a greener future and creating a foundation for enduring social equity and economic vitality. To ensure that no one is left behind as we transition, we offer access to social development opportunities to all, in particular those in our host communities.

We are pleased to report a 17% increase in community investments, totalling R1.9 billion. Of this, 71% (R1.48 billion) was directed towards supporting black SMMEs through local procurement and ESD. Our ESD programme has been empowering youth and women-led businesses since 2018, benefiting communities across Limpopo, Mpumalanga and KwaZulu-Natal. Our Social Impact strategy is aligned to the UN SDGs and seeks to create a lasting positive impact on communities and reduce poverty by combining multidimensional approaches that address education, economic wellbeing and access to land for economic activity.

### [Social impact](#) (page 106)

Pleasingly, our environmental stewardship and social responsibility initiatives have garnered recognition, as evidenced by our second-place accolade in the 2023 ESG Investing Awards for Social Responsibility, among our other many accolades.

## Empowering our people to create impact

The wellbeing of our people is a fundamental priority that underpins every facet of Exxaro's operations. This financial period, we recorded zero fatalities. Regrettably, we recorded 11 LTIs, resulting in a frequency rate of 0.07 against our target of 0.05. Even though we have observed a downturn in HPIs, indicating a movement towards our goal of an incident-free workplace, there is no room for complacency.

The team initiated enhanced safety campaigns across all our operations. We believe in creating a culture where safety and accountability are paramount, and every team member actively participates in safeguarding their wellbeing and that of their colleagues. Looking back at the year, we are proud of the six safety awards received at the COALSAFE Awards by the South African Colliery Managers' Association, reflecting our commitment to operationalising zero harm at our operations and beyond the mine gate.

### [Building momentum with people](#) (page 96)

Our dedication to our people extends beyond safety. As the first female CEO in Exxaro's history, I am incredibly proud of our progress in DEI and the transformational power of our succession planning. The representation of black women in senior and middle management has improved by over 75% in the past six years. We are fostering an environment where DEI is woven into the fabric of our corporate culture. This commitment has not gone unnoticed; Exxaro was honoured as a Top Employer in South Africa for the fourth time by the Top Employer's Institute.

I am grateful for the recognition of the Gender Icon Award at the 2023 Standard Bank Top Women Awards and the Trailblazing Women in Mining Award. At the Top Empowerment Awards, we were also recognised in the DEI category, affirming our position as leaders in creating a workplace where we all feel like we belong. Additionally, being included in the 2023 Bloomberg Gender-Equality Index is not just an honour but a benchmark that drives us towards greater inclusivity and equality in our industry.

These awards and accolades received are not just symbols of honour but are testaments to the values we uphold and the inclusive future we are building.

## Charting the way forward

As we navigate the complexities of our industry and the broader environmental and socio-economic challenges, our Sustainable Growth and Impact strategy is more relevant than ever. We are committed to transitioning Exxaro into a diversified minerals business, focusing on manganese, bauxite, and copper, among others, to build a sustainable and resilient future. Our energy initiatives and the strategic selection of minerals for diversification reflect our proactive approach to the global energy transition and our contribution to a carbon-neutral future by 2050.

Our achievements and strategic direction are a testament to our team's dedication and hard work, the support of our stakeholders, and the strength of our vision. As we look to the future, we remain focused on driving operational excellence, pursuing sustainable growth, and contributing positively to the global energy transition.

I sincerely thank our investors, board members, partners, and stakeholders for their unwavering support and commitment; and especially the women and men who continue to contribute to the business's success. I would like to thank each and every one of them for their dedication, resilience and loyalty. They know that we are #cruising nicely!



**Dr Nombasa Tsengwa**

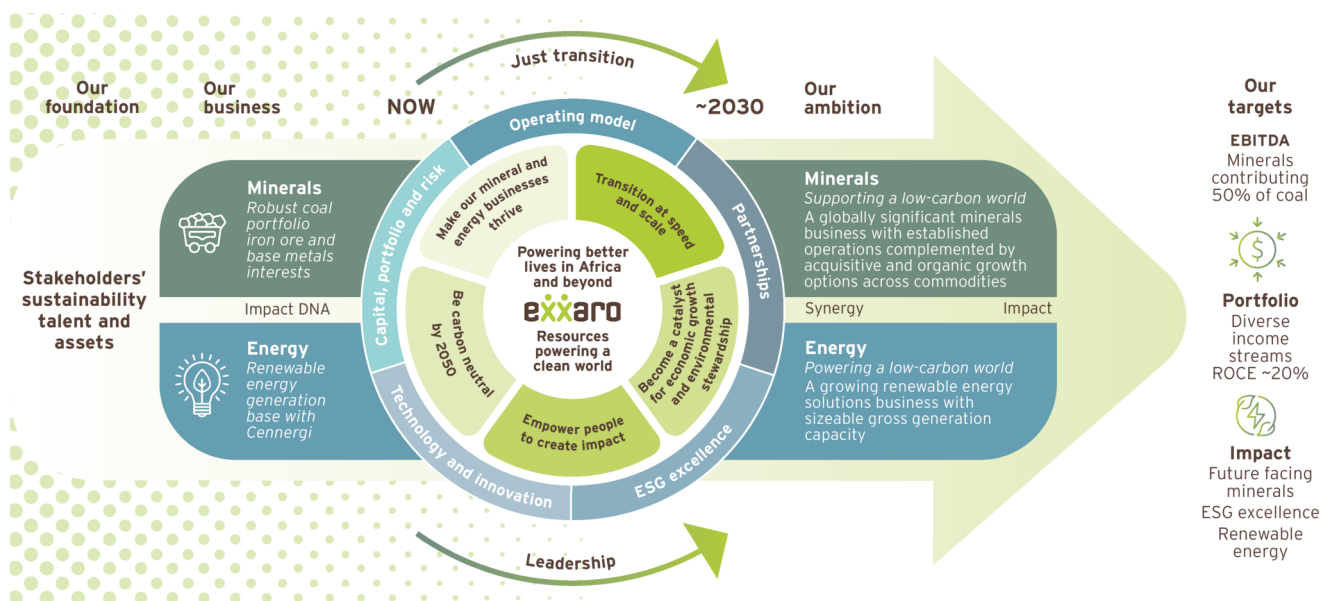
CEO

10 April 2024

# Our strategy

Our Sustainable Growth and Impact strategy is a comprehensive, stakeholder-inclusive plan, laying the foundation for a resilient and sustainable future for our business to continue creating and preserving value. We are determined to play an active role in creating a future that enables our vision: resources powering a clean world.

Our approach transforms our business cautiously and effectively, developing into a diversified company poised to thrive in and contribute to a low-carbon future. We commit to responsible operations, prioritising material ESG areas, and adhering to compliance standards.



In 2023, we further refined and consolidated our strategy in response to the rapidly changing macro-economic environment, leveraging short-term opportunities while remaining steadfast in achieving our long-term strategic objectives.

## Our strategic objectives

### 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

### Make our minerals and energy businesses thrive

Enhance focus on our core delivery areas, minerals and energy, by increasing our footprint in these areas, divesting of non-robust assets and ensuring continued operational and digital excellence

### Empower people to create impact

Ensure our people and partners have the capabilities, mindset, environment and passion to achieve our purpose

### 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

### Become a catalyst for economic growth and environmental stewardship

Positively impact our ecosystem during and after our operations in minerals and 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

## Our strategy continued

### Our strategy unpacked

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

- Delivering value in existing coal assets
- Growing our energy solutions business
- Diversifying our portfolio to include minerals that support a low-carbon world

We leverage our strengths and capabilities, which include:

- Experience in mining bulk commodities
- Strength of our balance sheet
- Effective technical and commercial due diligence
- Efficient business integration
- Expertise in energy

We will enable the execution of our strategy over the next five years using:

- Clear targets
- A robust capital allocation model
- Rigorous performance tracking
- Accountability
- Cultivation of necessary skills and a culture of execution

### Capital allocation

Our ambition to be a diversified carbon-neutral minerals company with a significant energy business will be realised through effective capital allocation. Our capital allocation model enables us to continue delivering shareholder value and create a sustainable, resilient and robust enterprise that can withstand dynamic markets shifts, and 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 alignment with our strategic intent.

To ensure we embed disciplined and data-driven capital allocation aligned to our enterprise ambition, we use the following criteria:

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

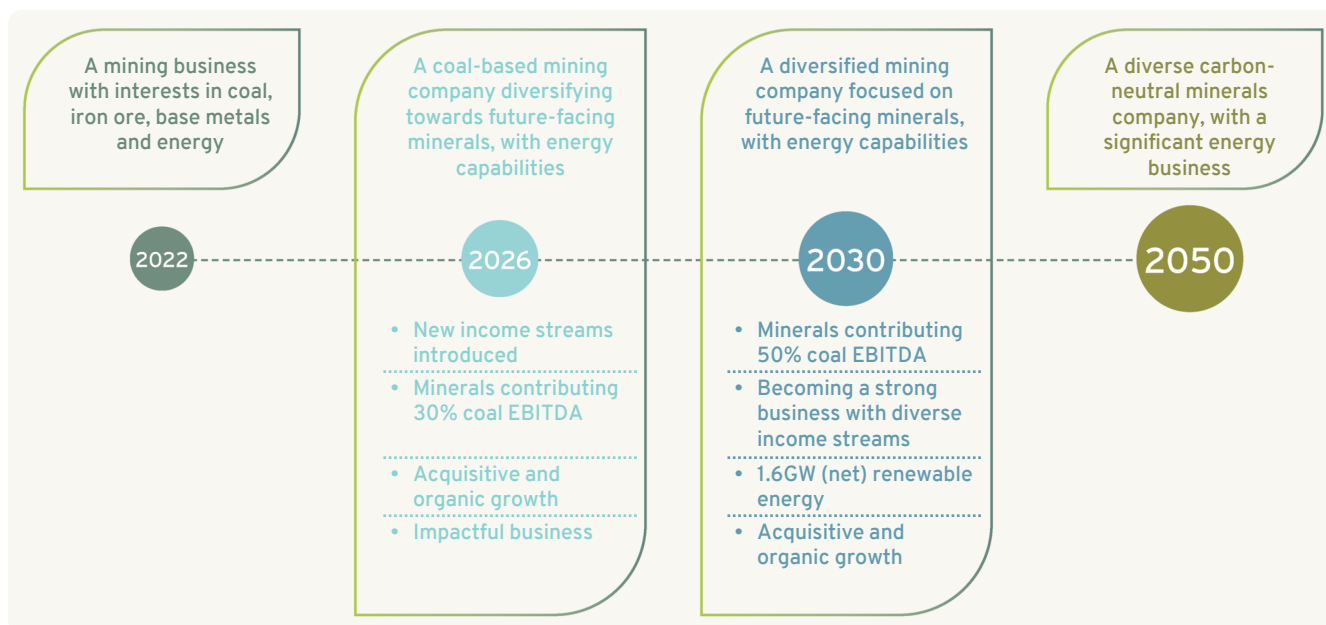
Our capital excellence programme demonstrates our vigilance to optimising how we use our financial resources to create sustainable value.

Robust capital allocation is informed by our enterprise KPIs:

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

### Timeframes

We will execute our strategy in phases, with clear outcomes for each focus area.



### Accountability

We implement our strategy 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 business units (BUs): translate business plans into detailed execution plans

## Our energy business

To be a leading international energy solutions provider by 2030

### Wind and solar energy

- A significant contributor of energy solutions (renewable assets and services)
- Servicing the public and private sectors in South African and other markets
- Focus on three energy areas:
  - **Distributed generation:** Our growth in energy will be internally led by providing our existing operations with self-generation. We have two large windfarms and micro-grids in operation, and the LSP under construction. 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 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 and contributor to energy security 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 energy with an acceptable risk profile targeting a portfolio return of 15% equity internal rate of return over time
- Strategic acquisition of skill and market entries to grow at scale
- Partnering to improve skills, credibility and growth

### Competitive advantage

- **Renewable pedigree and scale:** We are a significant independent power producer in South Africa and have had exposure to the energy industry 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 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 South Africa's primary source of energy.

### 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 deployment, supported by our capital excellence programme
- Minimise emissions at our existing operations

### New minerals

Diversify into new mineral assets that are vital to a low-carbon future, eg manganese, copper and bauxite, among others.

### Why

- A business that thrives in a low-carbon future
- 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 in bulk commodity mining and logistics
- Robust screening criteria enable us to continuously review and identify the minerals we should be focusing on for our future growth

### 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. This allows efficient and effective evaluation of potential growth opportunities
- **Project execution excellence:** Through expansion and greenfield successes, delivering digital innovation through our Digital@Exxaro strategy 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 outlook

We are gaining momentum as we transition to our new strategy. We have set clear and ambitious objectives to progressively incorporate our Sustainable Growth and Impact strategy into our operations.

To measure and manage our performance over time, we have identified specific KPIs that were selected by considering our past KPIs, representing the various aspects of value creation we affect and our future objectives. The resulting indicators are refined and designed to monitor our momentum towards our strategy while catalysing discussion and analysis within our organisation. Furthermore, they ensure we address our previous ESG commitments and enable the achievement of these ambitious goals.

Our KPIs are grouped per capital and incorporated in the tables below in relation to how their continued availability, quality and affordability impact specific strategic objectives.

Key	Description	Trend	Description
REM-S	Linked to remuneration (STI)		Deteriorated
REM-L	Linked to remuneration (long-term incentive)		Improved
			Unchanged

## Transition at speed and scale

### Why it matters

The shift towards a low-carbon economy is imperative due to the growing demands for climate change mitigation. As a business, it is essential to approach this transition with a balanced sense of urgency to stay ahead of the curve while ensuring that the shift is sustainable and generates a positive societal impact.

#### Material themes



#### SDGs impacted



### Performance overview

- Reached financial close for the LSP, supplying 68MW to our Grootegeluk mine via a 25-year power purchase agreement
- Continued development of energy solutions, especially in Mpumalanga, to enable a just energy transition
- Actively reviewed, assessed and evaluated mineral opportunities aligned with our strategy and, where applicable, meaningfully engaged in investment processes
- Continued adhering to our robust capital allocation model

### Continued availability, quality and affordability of capitals driving our strategy

Exxaro's strategy is firmly rooted in managing our capitals to support sustainability and growth. By optimising our coal assets and advancing into other minerals and energy, we are securing **financial capital** and investing in our future capabilities. Our performance indicators – EBITDA from new minerals, EBITDA contribution from Cennergi and installed energy generation capacity – are milestones towards our 2026 and 2050 targets. These targets reflect our commitment to transitioning at speed and scale while securing the availability of financial capital now and in the future to support sustainable value creation in a dynamic energy market.

### Measuring related capital inputs

Performance indicator	Target		Performance			Trend	
	2026 (short term)	2030 (medium term)	2023	2022	2021		
Financial capital	EBITDA contribution from new minerals (%) <sup>REM-S</sup>	30	50	0	0	N/A	
	Installed generation capacity (MW net)	780	1 600	229	229	229	

### Related trade-offs

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

In our pursuit to transition to a low-carbon model rapidly and responsibly, we recognise the current socio-economic reliance on coal in South Africa. While we accelerate our transition, we remain committed to supporting the nation's development, ensuring a responsible shift that considers both the environmental impacts and the immediate energy needs of the society. This alignment is crucial as we strive to create a positive social impact and lead by example in the just energy transition.

### Looking forward

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.

## Make our minerals and energy businesses thrive

### Why it matters

Intensifying our focus on core delivery areas, specifically minerals and energy, is crucial for future growth and sustainability. By expanding our presence in these sectors, we can capitalise on the burgeoning opportunities within the green economy. Simultaneously, strategically divesting from assets not meeting our robust criteria will streamline our portfolio and free up resources to be reinvested into new minerals.

#### Material themes



#### SDGs impacted



### Performance overview

- Concluded a capital excellence programme to improve our capital project delivery and enhance value
- Continued efforts to create cost-effective logistics solutions
- Rolled out marketing initiatives that led to exceptional performance on export price realisation
- Initiated a sales process for our FerroAlloys business

### Continued availability, quality and affordability of capitals driving our strategy

The sustained success of our minerals and energy segments is deeply intertwined with the continuous availability of **manufactured** and **financial capital**. By meeting our targets for coal exports, we exhibit our competence in managing our physical assets efficiently and effectively. Financially, our strong EBITDA margin, ROCE and solvency ratio are testaments to our sound strategic decision making and operational excellence.

### Measuring related capital inputs

Performance indicator	Target		Performance			Trend
	2026 (short term)	2030 (medium term)	2023	2022	2021	
<b>Manufactured capital</b> Coal product (Mt)	45	50	42.5	43.1	42.5	⬇️
<b>Financial capital</b> EBITDA margin (managed operations) (%) <sup>REM-S</sup>	29	29	35	41	33	⬆️
<b>Financial capital</b> ROCE (%) <sup>REM-L</sup>	20	20	35	45	36	⬆️
<b>Financial capital</b> Solvency ratio (times)	2 to 3	2 to 3	3.5	3.3	3.0	⬇️

### Related trade-offs

#### Balancing capital allocation with our growth areas

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 with our portfolio ambition.

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

### Looking forward

We aim to optimise value creation from our coal business while diversifying into a resilient new minerals business and growing our energy business to achieve our goal to become carbon neutral by 2050.



## Empower people to create impact

### Why it matters

The true strength of our organisation lies in the collective capabilities and dedication of our people and partners. By empowering them with the necessary skills and fostering a culture of innovation and accountability, we position ourselves to make significant strides towards our goals. This empowerment is about reaching organisational objectives and amplifying our collective contribution to society and the economy, ensuring our work resonates with purpose and leads to lasting positive change.

#### Material themes



#### SDGs impacted



### Performance overview

- Embarked on an organisational effectiveness initiative to improve the overall effectiveness across the business, enhancing the impact of our people
- Launched a comprehensive DEI strategy to increase the participation of women, youth and people living with disabilities

### Continued availability, quality and affordability of capitals driving our strategy

We understand that our people are essential to our ongoing ability to innovate, operate efficiently, and respond to the dynamic needs of the market and society. By investing in our **human capital**, we are investing in a sustainable future and fostering an environment where our organisation and employees can thrive and generate enduring value. Our dedication extends to nurturing **social and relationship capital**, critical to our licence to operate, reflected, in part, by our B-BBEE contribution level. Achieving targets like zero fatalities, low LTIFR and OHIFR rates underscores our commitment to wellbeing and development. These efforts ensure we maintain a skilled, motivated workforce and robust community relations, essential for driving sustainable value creation aligned with our strategic mission.

### Measuring related capital inputs

	Performance indicator	Target		Performance			Trend
		2026 (short term)	2030 (medium term)	2023	2022	2021	
<b>Human capital</b>	Fatalities <sup>REM-S</sup>	0	0	0	1	0	▲
	LTIFR <sup>REM-S</sup>	0.02	0.01	0.07	0.05	0.08	▼
	OHIFR	0.06	0.02	0.15	0.16	0.16	▲
<b>Social and relationship capital</b>	B-BBEE contribution level	1	1	2	3	2	▲

### Related trade-offs

#### Balancing operational focus and the need for diversification

As a business 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 crucial 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.

### Looking forward

We will continuously develop our people, processes and platforms to ensure we build on our learning culture, enhance our organisational effectiveness and achieve our strategic objectives.

# Be carbon neutral by 2050

## Why it matters

Achieving carbon neutrality by 2050 is a critical target that reflects our commitment to environmental stewardship and sustainable development. By actively reducing our carbon footprint, we are contributing to the global effort to mitigate the impacts of climate change. This ambitious goal will be realised through the strategic decarbonisation of our portfolio and by integrating social impact initiatives that promote environmental responsibility. The drive towards carbon neutrality prepares us for a future of stricter environmental regulations and positions us as a leader in sustainable practices. Our dedication to this cause demonstrates to stakeholders, including customers, investors, and employees, that our operations align with broader societal values of preservation and responsibility towards our planet.

### Material themes



### SDGs impacted




## Performance overview

- Development of our decarbonisation roadmap is at an advanced stage
- Financial close reached, and sod turning ceremony held for our 68MW solar self-generation project to supply Grootegeeluk, while more projects are under development
- Signed a memorandum of understanding with the Council for Geoscience to partner on research and development related to carbon capture, utilisation and storage – technology critical for decarbonisation

## Continued availability, quality and affordability of capitals driving our strategy

Our strategic reliance on **natural capital** underpins our ability to provide critical resources for a low-carbon world. However, the volatility of climate patterns threatens the quality, affordability and accessibility of the resources we rely on and could jeopardise our operational continuity and the communities we serve. Recognising this, our commitment to carbon neutrality by 2050 is underpinned by KPIs tracking carbon intensity across scopes 1 and 2 and reducing our energy intensity. These indicators do not just measure but actively guide our efforts towards portfolio decarbonisation and underscore our determination to diminish our carbon footprint.

## Measuring related capital inputs

Performance indicator	Target		Performance				
	2026 (medium term)	2050 (long term)	2023	2022	2021	Trend	
 <b>Natural capital</b> Absolute emissions (ktCO <sub>2</sub> e)	40% reduction in scope 1 and 2 emissions (579ktCO <sub>2</sub> e)		Carbon neutrality	953 (2% reduction)	971	994	▲
	Energy intensity (GJ/kt) <sup>REM-S</sup>		30	30	28	30	29

## Related trade-offs

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

As we aim for carbon neutrality by 2050, our growth strategy includes acquisitions that may temporarily raise our carbon footprint. However, each potential acquisition is assessed in relation to our broader decarbonisation goals. This approach is central to our strategy, ensuring that growth does not compromise our commitment to becoming carbon neutral.

Key measures related to carbon intensity and emissions are included in our strategic performance metrics and will be a crucial tool for evaluating and balancing trade-offs pertaining 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 provide us with further clarity on potential shortfalls and opportunities.

## Looking forward

Our key focus in the short term will be to reduce our scope 1, 2 and 3 emissions and carbon tax liability through additional energy efficiency projects, implementation of nature-based solutions, energy and other initiatives. We will also leverage and operationalise strategic partnerships to achieve our decarbonisation objectives.

## Become a catalyst for economic growth and environmental stewardship

### Why it matters

Our role in fostering economic growth and championing environmental conservation is pivotal. We can generate a positive ripple effect beyond our operational lifespan through our involvement in the minerals and energy sectors. By initiating and nurturing community projects and businesses, we serve as a driving force for long-term, self-sustaining development that benefits local economies and ecosystems alike. These impact programmes are designed to deliver immediate benefits and lay the groundwork for ongoing prosperity that does not solely rely on our presence. This approach underscores our vision of leaving a legacy of empowerment and ecological balance, ensuring that the progress and wellbeing of communities endure alongside environmental integrity.

#### Material themes



#### SDGs impacted



### Performance overview

- Prioritised energy and water efficiency projects
- With an overall FTSE Russel ESG score of 3.9, Exxaro continues the trend of leading our global industry peers over the past five years. This score is underpinned by our exceptional environmental initiatives and stronger governance/disclosure initiatives relative to our global peers
- Exxaro's B-BBEE performance remains exceptional, with an overall score of 95.52, with 5.51 surplus points attributable to increases across all five categories
- Increased efforts in our minerals succession programme to focus on capacitating and/or training farmers and enabling market access; targeting black emerging farmers with appropriate strategic partnerships for skills transfer
- Since 2018, Exxaro has supported 118 SMMEs, with a financial/operational sustainability rate of over 99% compared to national levels of approximately 10%
- Kicked off an early childhood development (ECD)/school readiness programme focusing on training teachers and resourcing ECD centres

### Continued availability, quality and affordability of capitals driving our strategy

Our strategy for catalysing economic growth and upholding environmental stewardship revolves around the prudent utilisation of our **natural capital** and fortifying our **social and relationship capital**. Through the reduction of environmental incidents, ensuring responsible water usage and engaging with external feedback, we are not only preserving natural resources but also ensuring their ongoing availability and quality. At the same time, we are dedicated to catalysing economic growth by enhancing agricultural productivity and scaling up support for SMMEs, which invigorates local economies and fosters community resilience. Our ECD programme underpins our investment in early education, vital for nurturing the next generation. These integrated actions underscore our commitment to maintaining robust social ties, investing in the workforce of the future and driving sustainable development, all of which secure our social licence to operate and contribute to long-term value creation.

### Measuring related capital inputs

	Performance indicator	Target		Performance			Trend
		2026 (short term)	2030 (medium term)	2023	2022	2021	
<b>Social and relationship capital</b>	Crop yield to market (tonnes)	13 000	15 000	<b>10 011</b>	5 600	5 651	▲
	Financially sustainable SMMEs supported	207	295	<b>118</b>	105	79	▲
	ECD school readiness (%)	90%	90%	<b>n/a*</b>	n/a*	n/a*	
<b>Natural capital</b>	Reportable environmental incidents (levels 2 and 3)	0 level 2s 0 level 3s	0 level 2s 0 level 3s	<b>1 level 2s 0 level 3s</b>	0 level 2s 0 level 3s	6 level 2s 0 level 3s	▼
	Water intensity (kL/tonne RoM) <sup>REM-S</sup>	0.180	0.180	<b>0.105</b>	0.150	0.149	▲
	FTSE Russel Rating <sup>REM-L</sup>	4	4	<b>3.9</b>	4	3.7	▼

\* The ECD programme was launched in 2023, so there is no data for 2021 to 2023.

### Related trade-offs

#### 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 will result in lower margins unless stringent cost optimisation is undertaken.

In navigating these challenges, we must maintain our focus on short-term resilience while investing in long-term strategic research and development. This delicate balance supports our aim to catalyse economic growth and environmental stewardship, steering towards sustainable and scalable impact programmes that will last beyond our operations. Our portfolio approach towards resource allocation guides us as we manage this tension.

### Looking forward

We aim to integrate and embed ESG further within Exxaro and progress our industry-leading ESG performance towards delivering sustainable impact at scale. Skills development remains an important aspect to improve our B-BBEE performance. ECD in our communities will be a new focus area to ensure improved school readiness of young children.