



2 The forces shaping our business

As we navigate the impacts of external factors on our business, we are focused on ensuring our resilience. Committed to powering better lives in Africa and beyond, we are exploring growth opportunities in energy transition minerals while optimising our coal portfolio to support energy security. Our goal is to create sustainable value for stakeholders and contribute to an energy landscape that is impactful and inclusive.

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Our operating context

Exxaro's operating context is determined by the external drivers that impact our ability to create value. We analyse global and local macro-economic factors and commodity market trends to inform our material matters, influence our strategic direction and performance, and highlight opportunities.

Long-term forces shaping our way forward

We must balance South Africa's socio-economic development, which relies on coal-generated power, with the need to transition to a low-carbon economy. While the shifts driven by the forces listed below pose future challenges and increase external risks for those who fail to adapt, they also present significant opportunities for those who can evolve.

Climate change

Climate change increases competition for scarce resources like water and biodiversity, and rising temperatures elevate health and safety risks at our operations.

Energy transition

Disruptive technologies in the energy sector pose a medium to long-term risk of displacing our coal business.

Low-carbon transition

The transition to a low-carbon economy carries significant socio-economic implications for our business and the communities in which we operate.

Stewardship

We see ourselves as stewards of coal assets, responsibly maximising their value. Our responsibility extends to using these assets to build a sustainable business for investors, employees and communities and contribute to a sustainable future for the planet.



Read more about these forces in [our outlook](#) (page 26).

How these forces are unfolding in our current context

Building on these overarching forces, we identified areas where these drivers shape our operational context. New market growth will be driven by energy generation, storage and infrastructure demand. The global and regional pace of the energy transition dictates the timeline for diversification. Our response addresses the macro-economic environment and market dynamics, both integral to adapting our strategy and seizing growth opportunities.

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Our operating context continued

Our macro-economic context: trends influencing our business

1

Challenges in South Africa's logistics and infrastructure networks for bulk commodities

Rail operations faced ongoing disruptions, including cable theft, vandalism, unavailability of locomotives and wagons, and infrastructure degradation. Furthermore, three derailments affected Transnet Freight Rail's (TFR) volume throughput in the year's first half. Despite these challenges and the volatility of rail execution in 2024, TFR's performance to RBCT increased to 51.91Mt (2023: 47.92Mt), with an improved performance in the second half of the year.

Exxaro's export evacuation via rail increased to 5.2Mt (2023: 4.6Mt) despite continued disruptions. Road evacuation increased to 1.8Mt (2023: 479 000t) due to the use of alternative routes and ports to fulfil market demand. We are reviewing all available routes to market to meet demand and unlock stakeholder value.

Our strategic response

We regularly engage with TFR to improve operational performance, and we review and develop alternative routes to market to mitigate the impact of rail disruptions on our export evacuation.

2

Challenging but improving global and domestic economic conditions

After a slow start to 2024, global economic growth improved due to stronger than expected performance from the US, eurozone, UK, Russia, Brazil and India. Economic activity was impacted by gradually moderating inflation rates, widespread monetary policy easing resulting in lowered interest rates, geopolitical developments, the outcome of the US presidential election and additional stimulus to support China's economy. Following a 2.9% increase in 2023, global real gross domestic product (GDP) expanded at a slower pace of 2.7% in 2024.

Global GDP: 2.7% (2023: 2.9%)

Real GDP growth rate (%)

	2025 forecast	2024	2023
Global	2.6	2.7	2.9
US	2.3	2.8	2.9
Eurozone	0.9	0.8	0.5
China	4.2	5.0	5.4
India	6.4	6.4	8.2
South Africa	1.7	0.6	0.7

Source: S&P Global, Exxaro analysis February 2025.

Economic activity in South Africa was muted at the start of the year, with GDP flat at 0.0% in the first quarter, expanding by 0.3% in the second quarter, and contracting by 0.1% in the third quarter, followed by a 0.6% expansion in the last quarter. The formation of the Government of National Unity (GNU) led to significantly improved local consumer and global investor sentiment, fostering cautious optimism for higher economic growth.

Private investment in renewable energy, Eskom's increased maintenance and transmission system developments, and accelerated implementation of structural reforms in ports and rail reduced energy and logistical constraints. Additionally, the new two-pot retirement system was anticipated to reduce household debt commitments and boost consumer spending from late 2024 into 2025. Collectively, these factors contributed to South Africa's real GDP growth of 0.6% for 2024.

Our strategic response

We prioritised cost management through various initiatives in the business value chain during 2024.

3

Evolving geopolitical and geo-economic tensions leading to further fragmentation

Intensifying geopolitical tensions are fragmenting the global economy. This affects Exxaro through shifting supply-demand dynamics, global inflation and interest rate policies, GDP and foreign direct investment, domestic and foreign policy changes, sanctions and trade policies, anti-dumping duties and countervailing measures, customs restrictions and delays, changes in global financial markets, infrastructure challenges and energy transition considerations.

Heightened geopolitical tensions in the Middle East affected energy markets, impacting thermal coal, oil, gas and liquefied natural gas. The Russia-Ukraine conflict continued to impact supply-demand and pricing dynamics for key Exxaro commodities and presented opportunities in the European and Japanese thermal coal markets. The subsequent sanctions, including the European Union's ban on coal imports from Russia, shifted global thermal coal trade flows as Russia was forced to pivot into alternative markets, impacting its total seaborne levels and pricing.

Global elections further shaped the landscape. The Republican Party's victory in the November 2024 US presidential election saw a withdrawal from the Paris Agreement post-year end and could lead to the realisation of policies favouring protectionism through significant trade tariffs and withdrawal from the UN Framework Convention on Climate Change. These developments could potentially weaken the US dollar and would increase the risk of further global inflation, following a restrictive monetary policy stance and slower GDP growth, while likely benefiting US fossil fuel companies. Additionally, a reduction in US military aid to Ukraine could force Ukraine into a peace settlement that lifts sanctions against Russia, which would affect global seaborne thermal coal markets.

Our strategic response

The ever-changing global geopolitical landscape presents significant challenges. While our ability to influence global events is limited – beyond engaging with government – our early value and market to resource optimisation strategies will enable us to achieve long-term sustainability.



4

Global uncertainties altering the pace of the energy transition

Global economic, political and technological uncertainties are adding complexity to operating environments and the energy transition's speed and trajectory. In 2024, intensified geopolitical tensions tested global energy security. While rising energy prices and fossil fuel subsidies have hindered energy equity over the past three years, energy sustainability has progressed through improved energy efficiency and an increase in clean energy.

Although the energy transition has made progress, it remains uneven. Adoption of wind and solar energy has increased, but achieving net zero by 2050 requires intensified efforts in energy efficiency, system electrification and the adoption of low-carbon energy sources and fuels.

In South Africa, the transition to a low-carbon economy aims to drive economic growth, create jobs and increase energy security while addressing climate change. However, the transition is shaped by our local context, where socio-economic inequalities and energy poverty play significant roles in shaping the transition process. Against this backdrop, South Africa remains behind in transitioning the energy value chain of generation, transmission and storage.

We are committed to progressing our low-carbon transition journey by reducing greenhouse gas (GHG) emissions and exploring opportunities in energy transition minerals.

Our strategic response

Our carbon neutrality target for 2050 is on track as part of our broader ESG strategy, reflecting our belief that sustainable development is essential for our business and the future of our planet.

5

Moderating inflation rates enabling central banks worldwide to lower interest rates

Global inflation continued its gradual decline in 2024. In the US, the Federal Reserve delayed its first policy rate reduction until mid-September 2024 due to a prolonged elevated headline consumer price index. This marked the end of the most aggressive rate hiking cycle in decades and followed earlier cuts by the European Central Bank, Bank of Canada and Bank of England.

In South Africa, headline inflation averaged 4.4%, down from 6% in 2023, driven by a moderation in Brent crude oil prices, the marked strengthening of the rand and the overall broad-based disinflation in fuel and goods prices. The cumulative repurchase rate increased by 450 basis points collectively over 2022 and 2023. As of September 2024, interest rates started to decline gradually (by 25 basis points), followed by another 25 basis points easing in November 2024. This environment of moderating inflationary and restrictive interest rates impacted Exxaro through cost escalations and borrowing cost increases. While headline consumer and producer inflation rates declined, the benefits of lower inflation have yet to fully offset cost escalations.

Our strategic response

In line with our cost management goals, we implemented inflation-linked cost escalations where possible. Additionally, our cash position enables us to fund our Sustainable Growth and Impact strategy.

6

Currency markets adjusting to the trajectory for inflation, growth and policy rates

The US dollar remained resilient through most of 2024, supported by unexpected US economic strength, recession concerns, relatively tight Federal Reserve monetary policy, elevated interest rate differentials, expansive fiscal policy, geopolitical risks, and related financial market flows. The US dollar's status as the dominant global reserve currency and safe haven for assets benefited it during periods of uncertainty and financial market volatility.

However, the latter part of the year saw a weakness in the US dollar due to a pronounced downward shift in interest rate expectations. Improving inflation data and a softening labour market permitted an aggressive start to US Federal Reserve rate cuts, with a 50 basis point decline in policy rates in September 2024.

The rand strengthened against the US dollar in early October, reaching R17.11 per US dollar, down from R19.25 at the end of April 2024. However, US dollar resilience left the rand weaker at R18.71 by the end of December 2024.

Currency volatility and a weaker rand impacted Exxaro positively, supporting favourable coal export earnings.

Our strategic response

To maintain financial viability amid volatile coal and foreign exchange markets, we placed coal in domestic market priced in rand.

Our operating context continued

7

Increased relevance of ESG

ESG is fundamental to our Sustainable Growth and Impact strategy and a priority for stakeholders. It is a business and social imperative, in line with global drivers such as growing stakeholder expectations, environmental considerations and social and sustainability factors. Governance and reporting expectations for ESG have intensified, with greater emphasis on due diligence, increasing regulatory requirements, converging reporting standards, and reporting transparency and comparability. Additionally, the ESG landscape is increasingly leveraging digitalisation and artificial intelligence (AI) to reveal insights.

Social impact, an outcome of our Sustainable Growth and Impact strategy, addresses material social and compliance matters, fostering a harmonious co-existence between Exxaro and local communities and creating a thriving environment.

The increasing relevance of ESG requires its integration into corporate strategies, decision making and stakeholder reporting. While this calls for a coordinated effort, it will enhance alignment, impact and efficiencies.

Our strategic response

We prioritise safety protocols, training and technology adoption. We developed our decarbonisation roadmap to achieve carbon neutrality by 2050, addressing capital allocation aspects for its implementation. Investments are focused on expanding a diversified minerals and energy portfolio while ensuring low-carbon transition minerals are sourced responsibly, with traceability systems in place and adherence to international standards. We apply circular economy principles and invest in resource efficiency, operational and community adaptation measures, and nature-based carbon offset solutions. To enhance transparency, we produce a standalone annual ESG report aligned with global standards. We are developing an ESG policy to integrate and embed ESG across the group, ensuring compliance and investor confidence. Additionally, we form strategic partnerships to address South Africa's and Exxaro's scope 3 emissions collaboratively with stakeholders.



Refer to [creating stakeholder value](#) (page 42), [natural capital](#) (page 120) and [social and relationship capital](#) (page 118) for more information.

8

Digital and innovation

Our iNOVAXXION strategy equips us to leverage skills, capabilities and digital infrastructure to add value to the business and shareholders. The strategy is underpinned by the visualisation of our value chain, enabling data-driven decision making and driving end-to-end integration and optimisation to remain competitive and achieve sustainable growth and impact.

We are exploring the use of generative AI to drive cost efficiencies, enhance productivity and strengthen safety measures. We believe generative AI is a catalyst for innovation and value creation. By leveraging generative AI through our newly launched AI solution, XXoro, we will enhance our understanding of key policy information and improve safety management.

Our strategic response

In 2024, we made significant progress in implementing generative AI in support of our Sustainable Growth and Impact strategy. We launched XXoro, our generative AI solution – the first project in our generative AI roadmap. Over a nine-month period we successfully developed use cases, prototyped and rolled out the solution. The launch of XXoro demonstrates the alignment of rapid prototyping, scaling and continuous improvement with our strategic goals, positioning us as a forward-thinking business.



Refer to [intellectual capital](#) (page 110) for more information.

Our markets

In 2024, global commodity markets were primarily driven by financial market dynamics, including inflation, interest rates and economic growth expectations for China, the US, and globally. As a result, commodity markets sometimes outpaced underlying fundamental or macro-driven demand improvements, making them vulnerable to significant corrections. Initial Chinese stimulus announcements failed to meaningfully support commodity demand, while ongoing geopolitical tensions, China's weak property market, and gas supply risks further constrained sustained demand during the year.



9

Commodity markets

Overall, Exxaro's commodity markets delivered softer performances in 2024, with lower market annual average reference prices for thermal coal and iron ore. Performance trends varied between the first and second halves of the year. Thermal coal started the year under pressure and strengthened, whereas iron ore started strong and lost momentum. Specific market drivers are discussed in the respective commodity sections on the following pages.

Argus/McCloskey Coal Price Index (API4) coal export price averaged US\$105.31/t (2023: US\$121.00/t)

Commodity prices (US\$/t)	2024	2023
Thermal coal (API4)	105.31	121.00
Thermal coal (API3)	89.19	100.72
Iron ore fines (62% Fe)	109.46	119.54
Lump premium	8.89	9.64

Source: Various commodity market intelligence reports, January to December 2024.

Our strategic response

Through our portfolio optimisation process, we actively evaluate and participate in investment opportunities to unlock value in support of our Sustainable Growth and Impact strategy.

9.1

Coal markets

The seaborne thermal coal market experienced a continued bearish trend in the first quarter of 2024, largely due to sufficient supply into key markets such as Europe, Japan, Korea and Taiwan, together with favourable gas economic dynamics. Geopolitics – including US sanctions on Siberian Coal Energy Company (SUEK), the Russia-Ukraine conflict, attacks on Ukraine power stations and the March 2024 TFR derailment – supported the price recovery recorded in the second quarter of 2024.

Higher seaborne thermal coal prices led to muted demand support in India. Demand was further reduced by high stockpiles of South African thermal coal, the monsoon season and low domestic thermal coal prices due to improved domestic production. In addition, low steel prices caused by an oversupply of cheaper steel from China eroded demand from the Indian sponge iron sector.

In Europe, a mild winter, the availability of energy mix options (renewables, natural gas and nuclear energy) and the phasing out of coal as an energy source resulted in lower demand for South African products. This was exacerbated by competition from alternative suppliers such as Colombia.

Demand for thermal coal from Japan and Korea remained steady, with Korea being the more opportunistic buyer during favourable pricing periods. This was especially evident in the third quarter of 2024. Japan's rich energy mix of gas, renewables, nuclear and coal, together with the restart of several nuclear plants, halted significant thermal coal demand improvement.

In terms of supply, 2024 was characterised by ample seaborne supply, with Australia and Indonesia (the largest global exporters) recording strong production mainly due to dry weather conditions. No major trade flow shifts were evident, as Australia continued to supply to China and the ban of Russian coal in Europe and Japan (and partially in South Korea) remained in force.

Our strategic response

We mitigate volatility in coal market pricing and ensure our resilience through our early value strategy, market to resource optimisation and market diversification. We also focus on building market agility and adapting to any changing global coal flows.

9.2

Iron ore market

Subdued Chinese economic growth, a persistent downturn in the Chinese property market, robust global iron ore supply and increasing inventories at Chinese ports pressured the iron ore market and pricing in 2024. A set of initial Chinese policy announcements focused on the stabilisation of China's economy through consumer wellbeing and did not include support for iron ore and steel demand. Subsequently, tax incentives for China's property market and some restocking initiatives temporarily lifted the iron ore market sentiment.

Continuous rising iron ore supply and exports remain the key limiting factors for seaborne iron ore prices, affecting the performance of Exxaro's SIOC investment. Major miners' supply is increasing, and while overall Chinese demand remains relatively flat, steel and iron ore demand from non-property sectors increased towards the end of 2024. Early signs of the Chinese government's interventions yielding results emerged, with manufacturing and services sectors moving into expansionary territory, assisted by improved steel mill margins. Furthermore, steel exports saw US buyers stockpiling materials ahead of anticipated import tariff increases.

Our strategic response

Exxaro, through our SIOC investment, has significant exposure to higher-value iron ore lump product. As steel production shifts to lower-carbon processes, demand for higher quality iron ore is likely to grow.

Our operating context continued

9.3

Energy market

Countries are working to meet growing energy demands and transition to cleaner sources, with low-carbon energy investments reaching a record US\$2.1 trillion in 2024. This shift spans renewable sectors like solar, wind and hydropower, and includes increased interest in natural gas infrastructure to support a balanced energy mix. In South Africa, the Integrated Resource Plan (IRP) 2023 outlines plans for 7 220MW of new gas-to-power capacity by 2030, with regulatory easing updates to support growth in the energy sector.

Developments in the energy market present expanded opportunities for Exxaro to position itself within the low-carbon energy landscape, supporting our transition objectives and broader energy resilience and sustainability objectives.

Our strategic response

Exxaro is exploring a range of energy investments, positioning ourselves as a significant contributor to South Africa's energy transition. This diversified approach aligns with national policy and global investment shifts, enabling Exxaro to enhance energy security while advancing sustainable development.

9.4

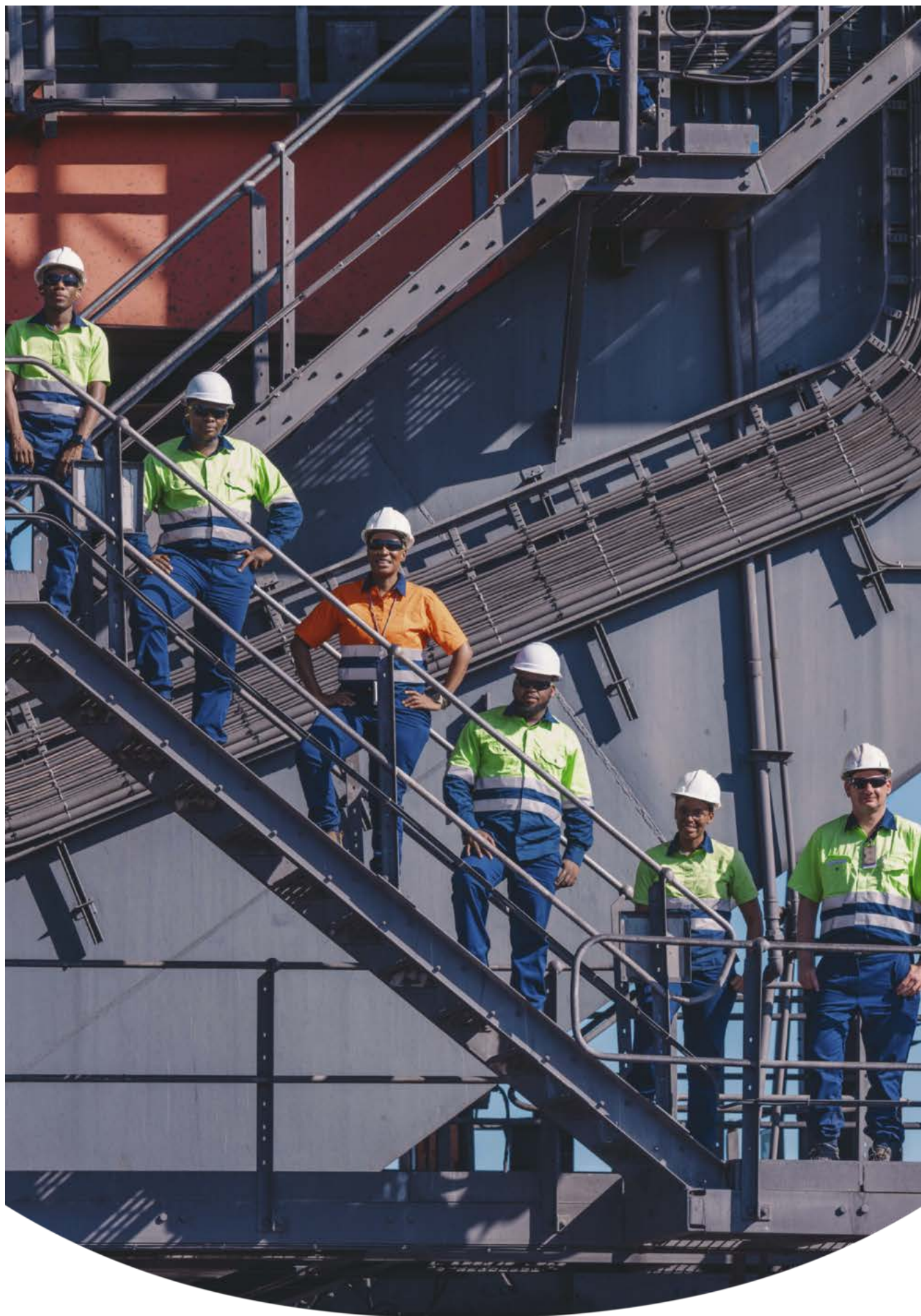
Energy transition minerals and metals landscape

The global shift towards a low-carbon economy is driving unprecedented demand for energy transition minerals such as copper and manganese, which are crucial across the renewable energy value chain. Despite surging demand, long-term structural deficits still exist in many future-facing commodities. Copper, known for its conductivity, is in high demand as renewable energy installations and electric infrastructure expand globally. Manganese, with 80% to 90% used in steel making, is used as an alloying agent by steel makers pursuing a "green" steel product, while also being in high demand for energy storage applications. As a leading producer, South Africa has a unique opportunity to capitalise on this resource. Exxaro is in a good position to leverage South Africa's leadership in manganese production and tap into the copper market as demand continues to rise.

Diversification and growth plans to solely own copper assets have drastically changed, influenced by partnership models, jurisdictional changes and an expanding investor universe. This enabled Exxaro to consider multiple market entry points, including through a credible copper mining producer and operator, partnering with a copper producer with an attractive asset portfolio and project pipeline, JVs, and project development and greenfield exploration. However, the energy transition minerals market faces challenges, including fluctuating global demand and evolving policies in regions that aim to retain mineral value through regional processing, refining and manufacturing incentives.

Our strategic response

We are considering various options to execute on opportunities in sought-after assets and commodities.



Our outlook

Anticipated global trends and challenges across long, medium and short-term time horizons inform Exxaro's strategic vision.



Medium to long-term outlook

Climate change

The *Global Risks Report 2024* highlights extreme weather events, critical changes to the earth's systems, and biodiversity loss as dominant global risks over the next decade. Challenges are expected to intensify beyond 2035, and stricter environmental regulations, rising societal expectations and increasing demands for corporate responsibility are anticipated. Outcomes from COP29 further emphasise the urgency of addressing climate change, with the New Collective Quantified Goal increasing to US\$300 billion annually by 2035 to assist developing countries with climate mitigation and adaptation efforts. COP29 also underscored the need for actionable climate plans and policy reviews ahead of COP30 to advance ambitious climate pathways.

Our strategic response

As climate regulations tighten and stakeholder expectations rise, we are committed to ensuring our business remains resilient in a rapidly evolving policy and regulatory environment. We integrate climate risk considerations into our long-term strategy, ensuring alignment with global decarbonisation pathways and regulatory frameworks. Our commitment to achieving carbon neutrality by 2050 is supported by ongoing efforts to enhance operational efficiencies, strengthen governance structures, and embed climate resilience across our value chain.

Energy transition

The shift to a low-carbon world is driving significant changes in energy systems and markets. The Organisation for Economic Co-operation and Development's *Global Material Resources Outlook to 2060* projects a doubling of global primary materials use by 2060, increasing environmental pressures and resource demands. The International Energy Agency's *Global Critical Minerals Outlook 2024* highlights significant growth in demand for energy transition minerals vital for clean energy technologies, including renewable infrastructure and electric vehicles. As low-carbon electrification expands, the need for metals in decarbonised infrastructure will far exceed conventional requirements, making forward-facing metal intensity a critical factor in meeting global energy transition goals.

Our strategic response

These trends present opportunities for Exxaro to diversify our portfolio, aligning investments with global trends to secure long-term value creation. By expanding into energy transition minerals, we aim to strengthen our position as a key supplier in the energy transition, ensuring a resilient and future-ready business that supports global decarbonisation efforts.

Low-carbon transition

The global shift towards a low-carbon economy is reshaping the mining industry, presenting opportunities and challenges. Technological advancements drive shifts in resource demand, with innovations like alternative battery technologies for electric vehicles and energy storage showcasing how emerging solutions can impact market dynamics. Broader adoption of these batteries highlights how resource substitution could transform traditional supply chains. This example demonstrates the potential for shifts in mineral demand as broader technological trends continue to evolve, requiring careful strategic positioning. Furthermore, the low-carbon transition carries considerable socio-economic implications, influencing employment and economic stability in communities reliant on mining.

Our strategic response

Exxaro proactively adapts to these changes by integrating technological foresight into our long-term planning. We monitor technological advancements to anticipate market shifts. Our iNOVAXXION strategy harnesses digital innovation to enhance operational efficiency, resilience and strategic agility in an evolving energy landscape. As part of this, generative AI is expected to revolutionise data-driven decision making, enabling deeper insights, automation, and predictive capabilities to drive organisation-wide transformation. By integrating these advancements, we will strengthen our ability to adapt to market shifts, optimise resource management, and accelerate the delivery of our Sustainable Growth and Impact strategy, ensuring long-term value creation in a low-carbon future.

Recognising the socio-economic impacts of the low-carbon transition, we are committed to a transition that supports our employees and the communities in which we operate. This includes investing in skills development, building internal capacity and enhancing capability, and engaging with stakeholders to ensure our transition strategies are inclusive and equitable. By aligning our business strategies with emerging technologies and community needs, Exxaro aims to lead responsibly in the evolving energy landscape.



Stewardship

Over the medium to short term, external trends highlight the increasing importance of responsible resource management and sustainability. Investors are demanding greater transparency and alignment with ESG standards, while communities expect companies to play a more active role in local development. Workforce dynamics are also shifting, driven by the global race for energy transition minerals, a growing skills shortage, and the need for reskilling to adapt to technological advancements. For example, the World Economic Forum estimates that one billion jobs will be reshaped by technology within the next decade.

Our strategic response

Exxaro is proactively addressing these trends through a balanced approach to stewardship. We prioritise long-term value creation for investors by optimising our coal assets while advancing our Sustainable Growth and Impact strategy. Investments in renewable energy and energy transition minerals align with global sustainability trends, ensuring resilience and competitiveness in evolving markets. For our employees, we focus on upskilling and reskilling programmes to equip them with the capabilities needed for future demands. We ensure our workforce remains agile and prepared for emerging challenges by embedding integrated ways of working and adopting new technologies. We are fostering partnerships for our communities that support local economic development and infrastructure improvements. These initiatives create shared value, enabling Exxaro to contribute meaningfully to socio-economic progress in the regions where we operate. For the planet, we are accelerating efforts to achieve our carbon neutrality target by 2050. Through resource efficiency, biodiversity enhancements, and adherence to international standards, we minimise our environmental impact and contribute to global climate goals. By aligning our stewardship approach with these external trends, Exxaro balances the needs of investors, employees, communities, and the planet, ensuring sustainable outcomes for all stakeholders.

Short to medium-term outlook in our markets

Commodity markets are expected to navigate short and medium-term dynamics influenced by global economic, policy and market trends. In the short term, commodity markets are poised to reconnect with their respective fundamentals in 2025, as calmer financial market dynamics driven by a widespread monetary policy easing path and moderating inflation rates create an encouraging backdrop. However, uncertainties persist due to the implementation of proposed policies under the new US administration, potentially raising US interest rates, weakening the US dollar, and affecting global commodity and financial market sentiment. Over the medium term, evolving geopolitical and economic conditions, such as the demand for critical energy transition minerals, are expected to play a pivotal role in shaping market trends.

Coal

The seaborne coal market is expected to experience sustained demand in the short term due to the anticipated tight supply of high-energy coals, exacerbated by sanctions on Russian suppliers and a challenging investment and regulatory landscape. These constraints will likely sustain market demand, particularly in regions reliant on imported coal for energy security. While the broader energy transition continues to shape long-term trends, short-term supply pressures and geopolitical factors will play a key role in coal market dynamics.

Iron ore

A balanced and stable seaborne iron ore market is expected in 2025, driven by positive global steel demand. However, vulnerabilities in China's property sector and any additional government stimulus measures will remain critical to monitor. China accounts for over 50% of global steel production and is the largest consumer of iron ore, making its economic policies and construction activity pivotal for global demand.

Energy

The energy market continues to show positive long-term growth in diversified energy assets. In South Africa, the IRP outlines ambitious targets for renewable energy integration, aiming to diversify the energy mix and reduce reliance on coal. This framework presents significant opportunities for Exxaro to expand our renewable energy portfolio. Globally, supportive policies and favourable economics are also expected to drive a surge in renewable power capacity over the rest of the decade.

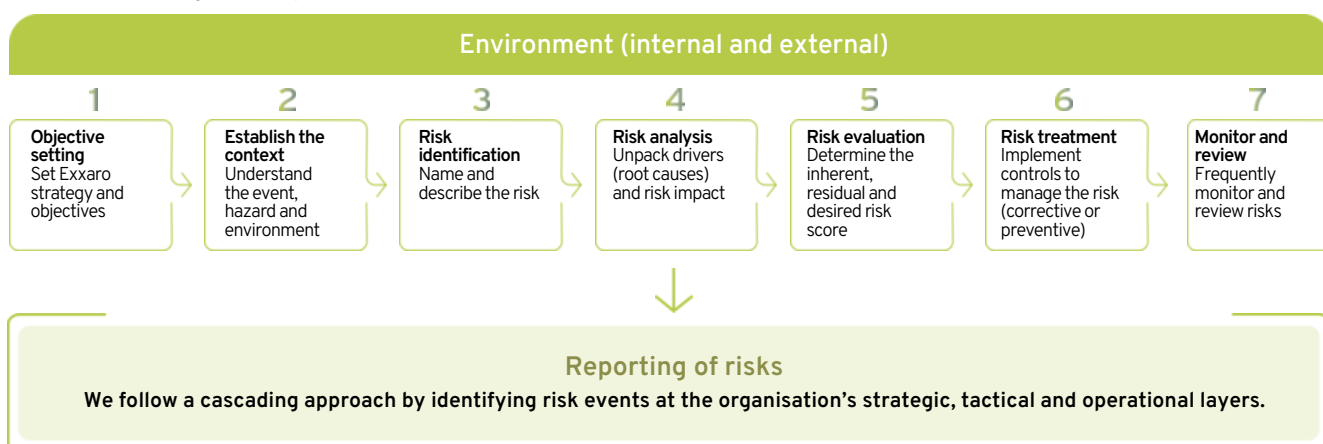
Energy transition minerals and metals landscape

The shift to a low-carbon world is driving a surge in demand for energy transition minerals and metals, as decarbonisation infrastructure is far more metals-intensive than conventional systems. Low-carbon electrification remains a significant engine for demand, particularly as electric vehicle adoption accelerates and countries invest in grid modernisation and renewable energy infrastructure. While short-term delays in the global energy transition may arise from policies introduced by the new US administration, the longer-term outlook remains firmly anchored in global energy transition objectives. This sustained momentum is expected to support our energy solutions business, energy transition minerals and metals diversification plans, and broader strategic initiatives, positioning Exxaro to capitalise on the evolving market dynamics.

Our risks and opportunities

Exxaro operates in a rapidly evolving and uncertain operating environment. Effective risk management is essential to achieving our strategic and business objectives, ensuring resilience and delivering sustainable value to our shareholders.

Our risk management process



The mining industry continues to face logistical constraints, fluctuating coal prices, global inflation and increasing geopolitical tension, among other challenges. Heightened but moderating global inflation and the effects of the Russia-Ukraine and Middle East conflicts impacted the global economy. In a dynamic and volatile environment, we rely on our mature risk management strategies to make agile and effective decisions to mitigate risk exposure and leverage opportunities.



[Our operating context](#) (page 19)

Our risk management philosophy and approach

Embedding risk management into our daily activities and processes enables us to make informed decisions and proactively plan for possible future unwanted events stemming from internal and external sources. Exxaro's risk management philosophy identifies risk management as a strategic enabler rather than being compliance driven. This ensures that we think and act proactively at every layer to pursue our strategic objectives.

Exxaro's ERM framework provides a proactive, systematic and integrated approach to risk management. The principles outlined in the framework form the foundation for our risk management philosophy, mission and vision. The ERM framework and process illustrated below are based on principles published by the Committee of Sponsoring Organizations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. The framework also considers applicable

codes of best practice such as ISO 9001, 14001 and 18001. We regularly review the ERM framework to ensure it remains relevant and effective. Deloitte reviewed the framework in 2023 to assess the maturity of our ERM and benchmark it against best practice. Following this review, we identified improvement recommendations and developed a roadmap to ensure these are implemented.

Accountability and governance

Exxaro's ERM process is a strategic initiative supported by the board and executive management. The chief strategic resilience and governance officer is responsible for enabling ERM across the group and reports to the board and the risk and business resilience (RBR) committee. The RBR committee regularly reviews the ERM framework to ensure alignment with current governance practices and standards. The board and executive committee monitor key performance indicators (KPIs) quarterly to ensure all risks are within Exxaro's risk appetite. The board is satisfied that the company and group have a mature risk process that ensures risks potentially impacting its strategic objectives are treated by management to create stakeholder value.

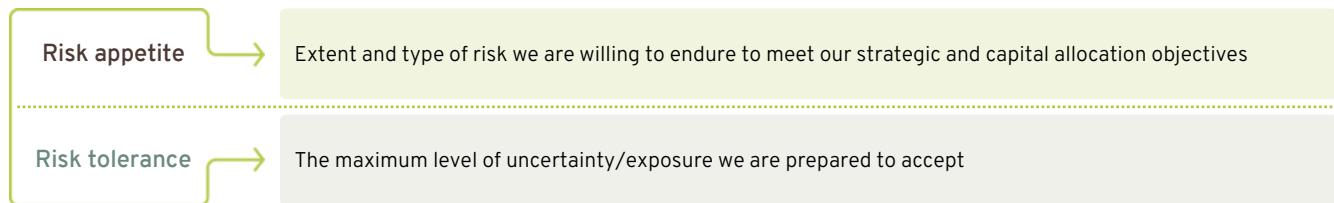
Significant risks from the strategic layer are filtered down to the tactical and operational layers, supplemented by identifying risks that impact the whole organisation.

Significant risks originating at an operational layer will also be elevated to a strategic or tactical layer. In this way, the process incorporates a top-down/bottom-up view of risks within the organisation.

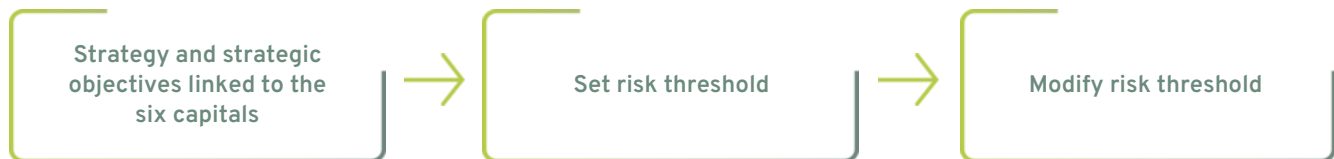


Risk appetite and thresholds

Exxaro's board and executive committee use risk appetite and tolerance levels to evaluate the level of risk the group is willing to endure in pursuit of achieving the company's strategy.



The risk appetite framework is updated annually or when deemed necessary as part of the strategic planning process.



[Performance against our strategy](#) (page 59)

Opportunities

We use the ERM framework to identify and pursue opportunities. We are contributing to the global energy transition to maximise value in the medium to long term and manage the risk of being unable to achieve growth objectives. For Exxaro to remain sustainable, it is important to adapt the minerals business to identify and pursue opportunities that ultimately create value, such as transitioning away from coal to energy transition minerals and renewable infrastructure.

The following opportunities inform our Sustainable Growth and Impact strategy:

Opportunity	Strategic objective	Strategic response
The drive for energy transition minerals presents opportunities to invest in operational assets, project development and exploration by leveraging our balanced portfolio approach towards capital allocation and risk and returns management.		→ We continue to review and invest in opportunities that align with our strategy and investment criteria.
Private-public participation in local rail operations is an opportunity for value unlock and vertical integration .		→ Amid rail infrastructure challenges in South Africa, we consider potential opportunities for private-public participation as a key strategic enabler.
The multidimensional poverty index highlights the drivers of poverty and inequality in our communities, allowing us to focus our social impact efforts towards sustainable impact . We will focus on education, land use management and SMME development.		→ Social impact remains a key focus in our Sustainable Growth and Impact strategy and we are committed to going beyond compliance to create positive social impact and sustained economic development beyond our operations.
Our early value strategy and our ability to maximise market to resource opportunities by leveraging the low cost and flexibility of our coal assets and reserves.		→ Our early value and market to resource optimisation strategies remain key enablers to maximise value from our mineral assets.
Accelerated expansion into renewable energy will support our low-carbon transition.		→ We remain committed to expanding our energy solutions business to become a leading energy solutions business.
Nature-based solutions to mitigate the impacts of climate change present an opportunity, especially considering the vast amount of viable land that Exxaro owns. We intend to maximise this opportunity through our Sustainable Growth and Impact strategy.		→ As a responsible mining company, we continuously evaluate opportunities to use our assets (including land) in support of a low-carbon future.
We are leveraging the opportunity to invest in self-generation facilities , which aligns with our energy growth strategy.		→ Cennergi is constructing a 68MW photovoltaic farm, near Grootegeluk, through our special purpose vehicle, Lephalale Solar (RF) Proprietary Limited. This is our first self-generation project to expand and diversify within the energy space. The project supports low-carbon emissions and long-term savings on electricity usage at Grootegeluk. We continue to explore further opportunities for self-generation.
The global energy transition provides an opportunity to mine and supply the minerals that support green technologies. Through a rigorous screening process, Exxaro identified future energy material and renewable infrastructure as being most aligned to our experience, capabilities and market forecast.		→ Future energy security remains a key consideration driving our diversification intent. We continue to review opportunities to expand our business through investments in the supply of energy transition minerals.
Technological advancements , especially in the field of AI and computing, present opportunities to optimise our operations and unlock value by increasing productivity, reducing costs, improving safety and improving efficiencies.		→ We are actively investing in bolstering our data science capabilities as well as implementing advanced analytics and AI solutions across our business.

Our risks and opportunities continued

2025 risk trends

The trend report indicates changes in the residual risk score when comparing the 2024 and 2025 (forward looking) financial years. Our risk scores are derived from the product of the likelihood and the impact of the unwanted event*. The top 10 risks are arranged from highest to lowest risk score.

The 2025 ranking represents the key possible unwanted events we anticipate having a potential impact on our ability to achieve our strategic imperatives in 2025. Although we review risks quarterly, they could change significantly depending on the internal and external root causes that drive them to materialise. We prioritise risks and implement treatment strategies to address them. We continuously monitor the effectiveness of these treatments to ensure risks are managed down to acceptable levels.

2025 ranking	2025 top risks (forward looking)	2024 ranking	2024 vs 2025 trend	Comments
1	Unavailability of rail capacity	1	➔	Unrest in Mozambique impacted road movements in the fourth quarter of 2024. Since the inauguration of the country's new president, the unrest has stabilised with expected improvement in exports through Maputo.
2	Fatal risk incidents	2	➔	Exxaro achieved an LTIFR of 0.06 in 2024 in comparison to 0.07 in 2023. During 2024, we reviewed our safety strategy, framework and fatal risk protocols. Approval is in progress, and the updated strategy, framework and fatal risk protocols are set to be launched in 2025.
3	Cybersecurity attacks impacting business	3	➔	We are implementing several projects as part of Exxaro's cybersecurity programme and risk management. These projects are geared towards strengthening our resilience and cybersecurity risk posture and include employee cybersecurity awareness training, the vault project, network access control, data leakage prevention, and endpoint protection solution roll-out. The effectiveness of the control environment is expected to improve in 2025 as risk treatments are executed to completion.
4	Country risk (geopolitical)	4	➔	In 2024, the main treatment for this risk was to develop an internal and external communications strategy. This was completed and rolled out to senior managers and business unit (BU) stakeholder affairs and communications teams. Implementation is underway.
5	Customer concentration risk	5	➔	We are monitoring this risk considering the local power utility's operational challenges.
6	Adverse threat to licence to operate	6	➔	We will continue to focus on delivering on our commitments in line with our licence to operate. We deployed additional project management, technical and supply chain resources to assist in the delivery of SLP commitments. Implementation of the Social Impact strategy is expected to deliver greater impact to the communities where we operate. We update community members on progress monthly through a community forum, and engagements with the Department of Mineral Resources and Energy (DMRE) are ongoing.
7	Community unrest	7	➔	Considering the local elections in 2026 and associated risks, we will continue to intensify our community stakeholder engagements and deliver on our Social Impact strategy and SLP commitments.
8	Inability to achieve growth objectives	8	➔	There were no material changes to this risk in 2024.
9	Decarbonisation challenges (previously reported as 'Inadequate response to climate change')	10	⬆️	National Treasury released a Draft Phase Two Carbon Tax Discussion Paper for comment. The phase will be implemented from 1 January 2026. Proposed changes will result in higher carbon tax liabilities for Exxaro from 2026.
10	Financial targets not met	11	★	Exxaro will likely meet our EBITDA and ROCE targets in 2025. Head office cost and optimisation initiatives at Grootegeeluk and Leeuwpans are ongoing. The performance of SIOC and deployment of capital in growth initiatives may put pressure on achieving our ROCE targets in the second half of 2025.

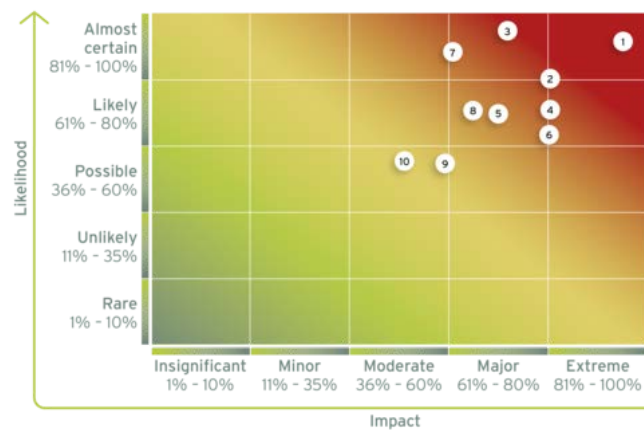
* Risk = f (likelihood of risk occurring x impact of the risk).

- ⬆️ Ranking in the top 10 is higher compared to the previous year
- ➔ Ranking in the top 10 remained unchanged compared to the previous year
- ✓ Ranking in the top 10 reduced compared to previous the year
- ★ New

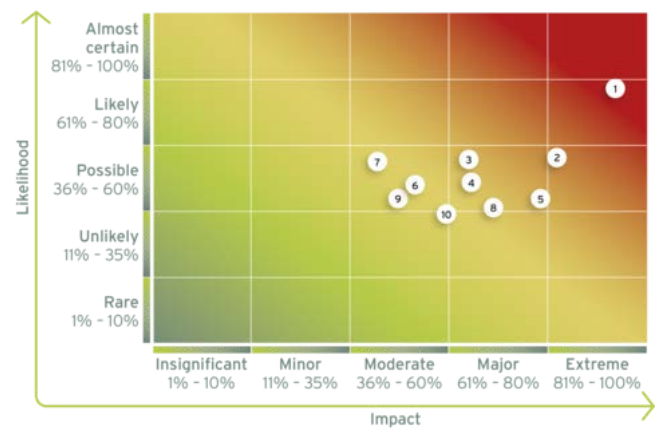
Top 10 heat map

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

Inherent risk



Residual risk



	Likelihood	Impact
1% – 10%	Rare	Insignificant
11% – 35%	Unlikely	Minor
36% – 60%	Possible	Moderate
61% – 80%	Likely	Major
81% – 100%	Almost certain	Extreme

Managing our risks

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

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

Lines of defence

- 1 Management of risk (risk owner)
- 2 Management support and oversight
- 3 Independent assurance (internal audit and other assurance providers)
- 4 Independent assurance (external audit and regulators)
- 5 Governance structures (board and board sub-committees)

Risk trend

- Residual risk increased compared to the previous year
- Residual risk decreased compared to the previous year
- Residual risk remained unchanged compared to the previous year
- New

Our risks and opportunities continued

1

Unavailability of rail capacity (2024 risk ranking: 1)

Drivers

- TFR challenges include availability of locomotives, inadequate maintenance regime, financial difficulties and security issues
- Country risk (political) – government not addressing root causes
- Cable theft and derailments
- Renegotiation of rail agreements
- Transnet's financial viability

Impacts

- Operational stoppages
- Financial loss
- Inability to meet contractual agreements and 2024/25 budget
- Inability to grow and execute the early value strategy

Controls

- Continuous engagement with TFR to understand issues and provide assistance via RBCT (security, spares support, derailment recovery)
- Marketing and logistics team exploring options to evacuate export coal with domestic sales
- Industry participation and support to influence National Rail Policy reforms and funding secured from National Treasury
- Maputo port capacity unlocked, focus shifted to optimisation
- The mining industry is providing financial support to TFR to obtain spares and other parts

Future treatments

- Support and assistance to TFR
- Optimisation of Maputo flows

Outlook

Weekly railed tonnages have improved slightly since the beginning of 2024. Operational and maintenance challenges are expected to continue to have a significant impact on Exxaro, as TFR's recovery will be slow. However, TFR's new leadership will likely bring stability, aided by improved engagements between Transnet and the mining industry.

Policy/legislative changes concerning an open rail regime are encouraging. The reforms have resulted in the division of TFR into two functions – infrastructure management and operations. This opens rail network access to private operators.

Material theme



Capitals impacted



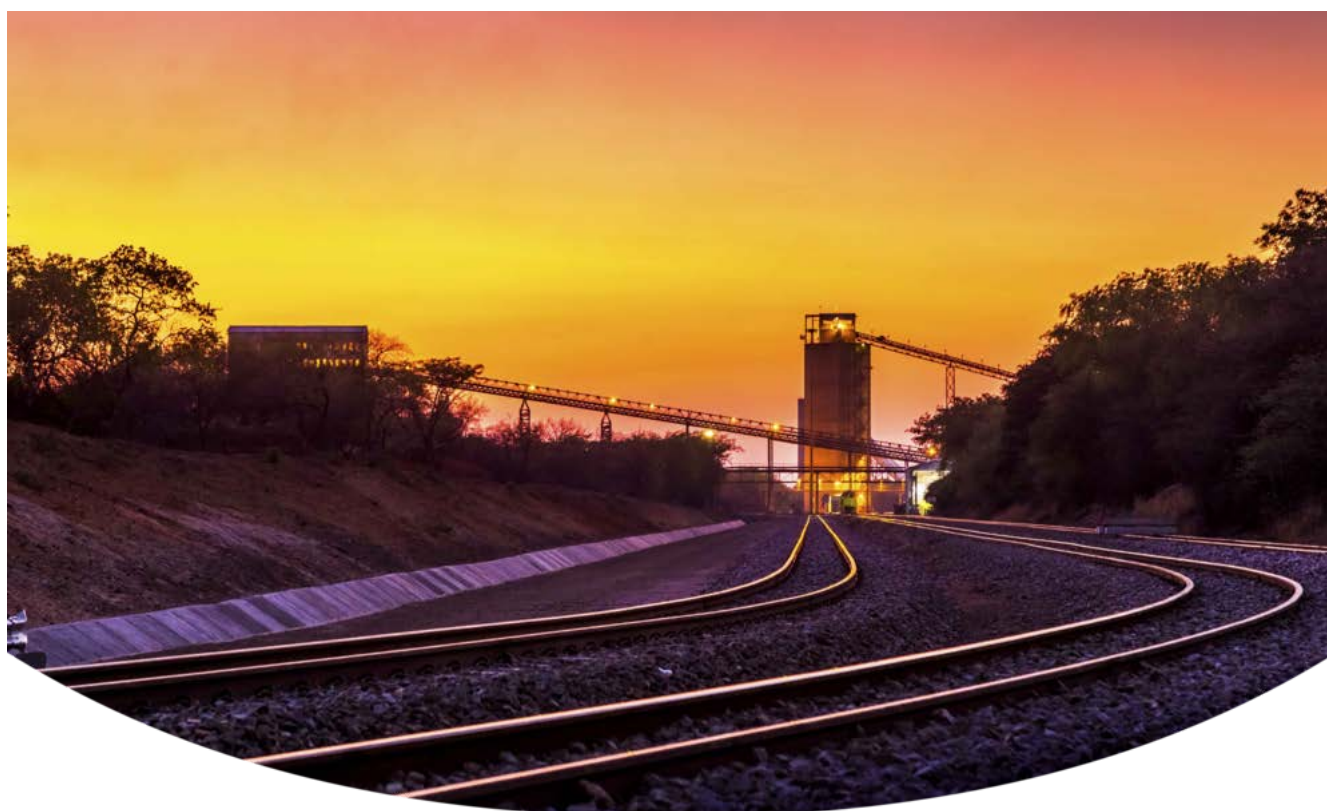
Strategic objectives impacted



Line of defence



Risk ranking trend



2

Fatal risk incidents (2024 risk ranking: 2)

Drivers

- Challenges with applying safety standards including operational risk management (including adequacy of standards and training)
- Lack of reporting, investigating and correctly classifying incidents, which prevents correct root causes from being identified and effectively benefiting from lessons learnt
- Lack of integration of health and safety requirements in the sourcing process for mining equipment and services (business partners)

Impacts

- Fatalities and serious safety incidents
- High insurance premiums
- Loss of productivity (deaths, medical incapacity or sick leave)
- Decrease in quality of life
- Fines and penalties (section 54(a))
- Reputational risk

Controls

- Continued implementation of the safety improvement plan aligned with the five focus areas across all BUs
- Reinvigorate the visible felt leadership (VFL) programme to proactively manage safety by coaching employees on safe working practices and extracting leading indicators to inform safety initiatives
- Employee engagement platforms such as annual CEO safety summit and safety leadership day
- Improve understanding of safety policies and procedures through newly launched AI solution, XXoro

Future treatments

- Develop a long-term safety strategy underpinned by a safety framework
- Review Exxaro health and safety policies and standards (including operational risk management, critical control management, incident management, VFL, fatal risk protocols and zero tolerance rules)
- Roll out the refreshed safety strategy, framework, standards, fatal risk protocols and zero tolerance rules

Outlook

We remain committed to improving the safety of our operations and expect the revised safety strategy, framework and standards to enhance our safety performance.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



Our risks and opportunities continued

3

Cybersecurity attacks impacting business (2024 risk ranking: 3)

Drivers

- Sophistication of global cyberattacks given the drive in using digital business solutions
- Implementing updated cybersecurity frameworks aligned with global current and new threats
- Large number of devices connected to the Exxaro network that need to be managed
- Vulnerability due to lack of awareness – people exposing Exxaro to cyberattacks
- Ability to protect and detect global and local cyberattacks

Impacts

- Revenue loss and reputational damage
- Exposure of confidential information
- Business interruption
- Legal and regulatory impacts (Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPIA) implications)

Controls

- Enhanced governance and compliance: robust cybersecurity governance frameworks are in place, ensuring adherence to regulatory requirements and continuous monitoring of compliance
- Strengthened security posture: stricter security practices have been implemented and identified vulnerabilities are being remediated to minimise potential risks
- Ongoing security awareness: regular security awareness programmes are conducted to educate employees on emerging threats and promote a culture of security
- Business continuity and disaster recovery: continuous business continuity management planning and disaster recovery testing ensure the organisation's resilience in the face of disruptions
- Endpoint protection enhancements: the current antivirus solution has been assessed and improvements have been made to detect threats such as malware and ransomware on endpoints
- Operating system security hardening: security settings have been strengthened to prevent unauthorised software execution on endpoints, with approved programs whitelisted
- USB port management: USB ports have been blocked, with exceptions managed by the information management governance team
- Privileged access management: a privileged access management tool has been implemented, with ongoing onboarding of accounts
- Network segmentation: IT and OT networks have been segmented to reduce potential attack surfaces
- Cloud migration: the organisation has successfully migrated from a public cloud to a private cloud, enhancing data security and control

Future treatments

- Implement extended detection and response tool to monitor and block malware on endpoints
- Implement the backup and recovery solution to ensure reliable data backup and recovery and boost disaster recovery capabilities (Project Vault)
- Establish a comprehensive cybersecurity training and development programme to enhance information management employee skills and knowledge, reducing the risk of security breaches and data losses
- Enable data loss protection

Outlook

The prevalence of cybersecurity attacks, specifically ransomware attacks, is expected to increase. Exxaro will continue to improve the robustness of the cybersecurity posture through a multi-layered security program and benchmark our cybersecurity profile to enhance prevention, detection, response and recovery efforts through vulnerability identification and management.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend





4

Country risk (geopolitical) (2024 risk ranking: 4)

Drivers

- Uncertain, inhibiting and inadequate policies for economic development and investment
- Crime and corrupt practices (private and public sector)
- High unemployment and poverty
- Lack of government service delivery
- Country credit rating (BB-; stable outlook)
- Constrained economic growth and limited tax base
- Global macro-economics and geopolitics
- Infrastructure constraints and supply chain disruptions
- Uncertainty around GNU
- Lack of innovation/research and development
- Rand volatility
- Exxaro's delivery on commitments

Impacts

- Community unrest
- Less opportunities for public-private partnerships
- Increased compliance burden
- High cost of capital
- Breakdown in government relationships with Exxaro
- Reduced investment opportunities
- Higher expectations from society and government for Exxaro to invest more in social issues and service delivery
- Stock devaluation

Controls

- Implement the strategic stakeholder engagement plan
- Continue to support a thriving democracy through deliberate and strategic donations and sponsorships
- Leverage industry bodies to contribute to solutions to national and global agenda and to shape economic policy (Minerals Council of South Africa, National Logistics Crisis Committee, Business Leadership South Africa, Engineering Council of South Africa, World Economic Forum, and others)
- Continue anti-bribery and corruption programmes/policies and communicate outcomes internally and externally
- Deliver and communicate social impact strategies to build understanding of Exxaro's contribution to socio-economic development, education and employment challenges
- Political risk insurances in place where applicable (for example, in other jurisdictions)
- Utilise media/social media monitoring and analyst inputs to identify risks and develop a system to escalate impacts
- Support communication of cybersecurity risk prevention (see risk 3)
- Monitor and report on the impact of changing legislation
- Contribute to national investment narrative and investor conferences to build confidence in South Africa
- Develop and implement an internal and external communications strategy that enhances Exxaro's reputation
- Enable cross-functional alignment to protect Exxaro's interests

Future treatments

- Develop policies for social media, investor relations, strategic sponsorships, political donations, stakeholder engagements and strategic partnership to mitigate risks to Exxaro

Outlook

Social tensions and insecurity persist amid high levels of poverty, income inequality and endemic unemployment. Sentiment towards South Africa's coalition government is cautiously optimistic. The country's sovereign rating of BB-/B was revised to BB+ from stable on the back of expected potential stronger growth, alongside government debt stabilisation. There is also a positive reputational narrative stemming from the G20 presidency.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



Our risks and opportunities continued

5

Customer concentration risk (2024 risk ranking: 5)

Drivers

- Realisation of approved funding for capital requirements (Matla capital project programme)
- Eskom liquidity risk
- Commercial risk attached to long-term contracts
- Less offtake at Medupi and Matimba due to environmental pressures
- Infrastructure challenges at power stations results in reduced offtake

Impacts

- Operational constraints at Grootegeluk due to pit liberation impacts as a result of low volume offtake from the power utility
- Cash flow constraints at Eskom resulting in late or no payments
- Cost of coal production becomes uncompetitive at Matla (lack of capital)
- Loss of revenue
- Reputational damage
- National grid failure

Controls

- Continuous engagement with Eskom to understand where Exxaro can assist, to better understand offtake disruption risks and to coordinate planned downtime
- Enforce coal supply agreements (CSAs)
- Debt relief package for Eskom and new management appointed
- National Energy Crisis Committee (NECOM) is effectively managed

Outlook

Eskom's financial challenges will remain a concern in the short to medium term as government continues to reform South Africa's electricity sector and Eskom implements its turnaround strategy and restructuring. The NECOM is anticipated to improve engagement with the industry. Developments in Eskom indicate more reforms to be introduced.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



6

Adverse threat to licence to operate (2024 risk ranking: 6)

Drivers

- Not achieving SLP targets as approved (annual and five-year projects)
- Poor stakeholder communication about Exxaro's achievements
- High community expectations for social investments and procurement opportunities
- Delays in approval of licences and authorisations
- Inability to meet legislative targets, such as Mining Charter and B-BBEE
- Unwind of BEE transaction

Impacts

- Production stoppages
- Reputational impacts (loss of business opportunities)
- Financial loss
- Community unrest
- Suspension/cancellation of mining right or directive issued by DMRE
- Regression in B-BBEE level

Controls

- Fulfil regulatory requirements within reasonable cost/expenses
- Structured engagement with regulators
- Supervision and performance reporting on execution of projects (SLPs)
- Monitor SLP and B-BBEE compliance performance management
- BEE transaction unwind project ongoing

Future treatments

- Board committees overseeing unwind of BEE transaction considering regulatory and financial aspects

Outlook

We remain committed to implementing our Social Impact strategy to deliver impact in our communities and protect our licence to operate.

Material theme**Capitals impacted****Strategic objectives impacted****Line of defence****Risk ranking trend**

Our risks and opportunities continued

7

Community unrest (2024 risk ranking: 7)

Drivers

- Delayed implementation of SLPs and transformation (local economic development, human resource development, local procurement, among others)
- Lack of capability or capacity of local community companies and youth
- Influence of local community business forums on allocation of opportunities
- High unemployment rate
- Low economic growth
- Lack of municipal service delivery
- Increased climate change activism in host communities

Impacts

- Potential harm to mine employees, contractors and community members
- Disruptions to operations (preventing access to workplace)
- Reputational damage
- Financial loss

Controls

- Enhanced monitoring of SLP implementation
- Ongoing engagement with DMRE, Minerals Council of South Africa and local and district municipalities, among others
- Strike emergency response plans
- Regular community stakeholder engagement
- Develop post-mining economies and skills through programmes such as the minerals succession programme (MSP)
- Ongoing communication of business opportunities and support, such as incubation and ESD programme
- Leverage partnerships to increase social impact
- Leverage and repurpose Exxaro land to benefit communities
- Continue to implement the Social Impact strategy beyond compliance through an ecosystem approach to create greater impact

Outlook

We will continue to engage with community stakeholders and resolve issues proactively to avoid unrest and create tangible impact.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



8

Inability to achieve growth objectives (2024 risk ranking: 8)

Drivers

- Volatile economic and market conditions
- Regulatory/policy uncertainty in South Africa and destination target countries
- Competition for desired mineral assets increases valuation of opportunities and restricts access to some opportunities
- Exxaro's ability to respond effectively and timeously to potential opportunities (internal skills and processes)
- Shareholder pressure to return excess cash
- Capital allocation considerations and JSE transaction category criteria (execution risk)

Impacts

- Reputational damage
- Inability to transition from coal to other minerals
- Undervalued/declining/volatile share price and market value
- Inability to integrate new assets effectively or realise synergies post-deal execution

Controls

- Board mandate to increase scope of minerals beyond manganese, bauxite and copper, and earlier stage investment opportunities
- Maintain critical skills and capability to effectively source, originate, shape and execute deals
- Build a pipeline of investment opportunities
- Improve networking opportunities to gain insights into potential transactions and financing
- Funds earmarked for the Sustainable Growth and Impact strategy
- Regularly communicate with investors regarding strategy, capital allocation and returns against targets
- Consider and incorporate appropriate post-deal strategies
- Utilise strategic partnerships in deal making, when appropriate, to effectively reduce execution risk and deal size
- Apply investment criteria to ensure value-accretive deals are considered (more flexible elements)

Future treatments

- Disclosure of target and performance against strategy and capital allocation

Outlook

Exxaro's primary growth lever is inorganic growth through acquisition. We will continue to pursue opportunities for growth through mergers and acquisitions. Expanding exploration will provide longer-term alternatives for the Sustainable Growth and Impact strategy.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



Our risks and opportunities continued

9

Decarbonisation challenges (2024 risk ranking: 10)

Drivers

- International and local investor sentiment against fossil fuels
- Increased stringent local and international carbon legislation
- Competition for water resources between operations and communities
- Lack of implementation of national climate policies, resulting in failure to meet the national climate goals linked to the Paris Agreement (negative environment and social impacts)

Impacts

- Increased cost of doing business
- Community protest
- Non-compliances associated with GHG emissions
- Energy security and supply
- Loss of production
- Natural disasters
- Equipment/infrastructure damage
- Possible fatalities and increased occupational incident rate
- Restriction in allocation of water
- Legal claims against heavy polluters
- Unable to secure insurance cover for operations

Controls

- Established an ESG portfolio management office, with an ESG steering committee appointed to monitor its activities
- Established a decarbonisation committee
- Diversify the portfolio into other minerals, in line with Exxaro's strategy
- Engage government and other stakeholders to create partnerships to resolve scope 3 matters
- Signed an MOU with the Council for Geoscience on scope 3 partnership
- Invested in decarbonisation initiatives through the ESG portfolio management office
- Reduce carbon intensity per tonne of product to reduce carbon emissions
- Reduce our water intensity per tonne of product produced
- Stay abreast of developments on carbon pricing
- Established public-private partnerships
- Assessment/study of operational adaptive capacity and resilience to inform mitigation measures

Future treatments

- Capital allocation for decarbonisation and other ESG projects to be approved
- Execution of decarbonisation roadmap
- Annual review of financial model to cost the impact of carbon tax (ongoing)
- Costing of individual projects that will contribute towards decarbonisation

Outlook

Changes proposed in National Treasury's Draft Phase Two Carbon Tax Discussion Paper will lead to higher carbon tax liabilities for Exxaro in 2026. We are optimistic that our decarbonisation roadmap and plan will assist in mitigating our carbon tax liabilities over time.

Material theme



Capitals impacted



Strategic objectives impacted



Line of defence



Risk ranking trend



10

Financial targets not met (2024 risk ranking: 11)

Drivers

- Macro-economic factors (commodity prices, exchange rates and inflation)
- Counterparties not meeting contractual obligations (Eskom, TFR and AMSA)
- Renewal of TFR agreement which might impact tonnage available and cost associated with rail exports
- Unable to reduce costs and optimise operations
- Position of operations on cost curve
- Above-inflation cost pressure and supply chain disruptions
- Acquisitions not meeting the financial return targets in terms of investment criteria

Impacts

- Lower production and revenue
- Increased cost of production
- Increased head office costs
- Lower cash generation
- Inability to achieve budgeted returns
- Acquisitions not meeting hurdle rates

Controls

- Target for cost increases of mines to be below mining inflation and for Exxaro to be in the first quartile of the cost curve
- Operational excellence and digitalisation initiatives to reduce cost per tonne
- Monitor supplier financial health (critical and strategic suppliers)
- Annually determine cost, production and capex through target-setting process
- Quantifying and simulating the impact of drivers in the financial model and forecasts
- Enforcing Eskom take-or-pay provision
- Investment criteria for acquisitions with sensitivity analysis

Future treatments

- Engage with TFR to negotiate amendments to existing agreement and new contracts
- Aim for head office costs following operational excellence process to be in line with 2024 official budget
- Optimise costs at Grootegeluk
- Optimise Leeuwpans mine

Outlook

Future financial performance will largely be influenced by logistical performance, Eskom's ability to meet its contractual commitments and the performance of our investment in SIOC.

Material theme



Capitals impacted



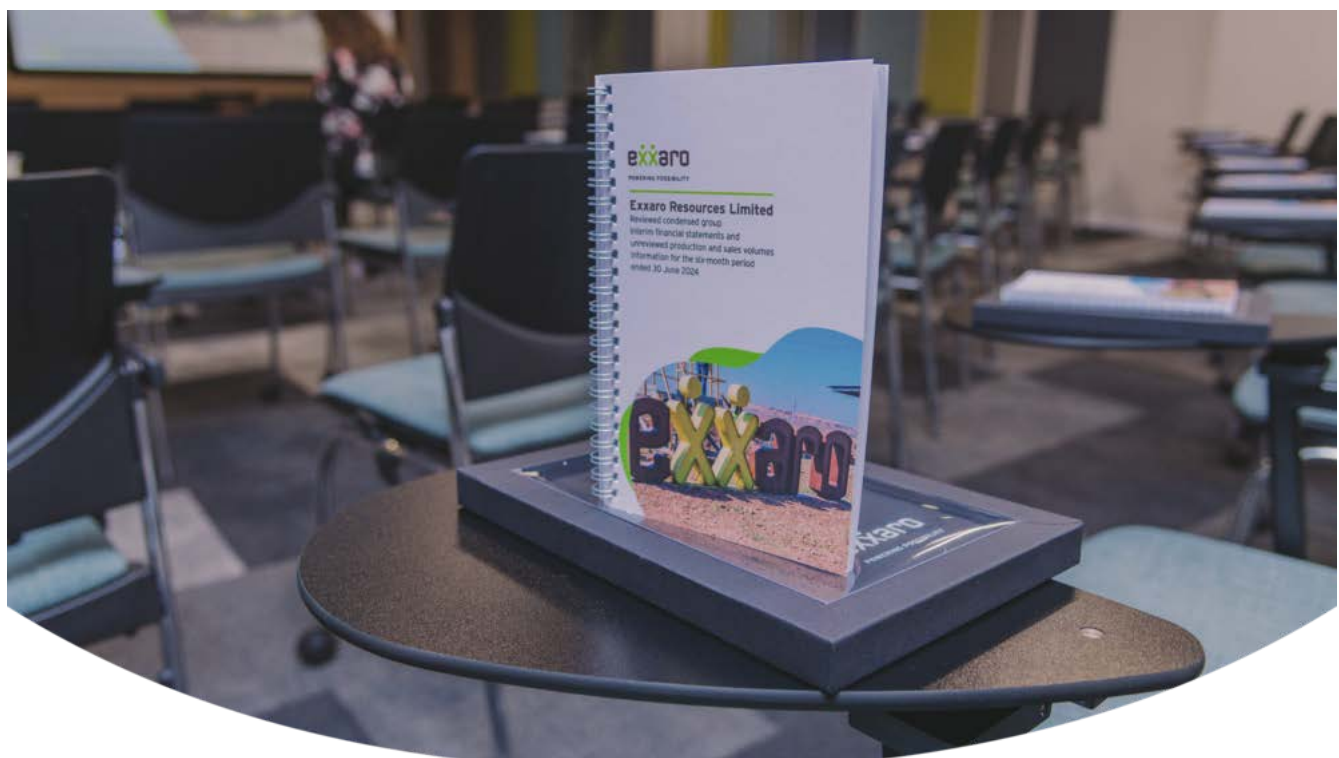
Strategic objectives impacted



Line of defence



Risk ranking trend



Creating stakeholder value

Exxaro aims to build long-term, stable, mutually beneficial relationships with stakeholders, supported by our holistic engagement approach. Our engagements enable us to better understand, manage and respond to material risks and concerns, protect our licence to operate and create shared value.

Our approach to meaningful stakeholder engagement

We believe creating value for both our stakeholders and ourselves is important. Regular and ad hoc in-person engagements, social impact assessments and surveys inform our understanding of our social impact and stakeholders' needs and interests.

This section describes our stakeholder management through our ERM framework lens.



Refer to the stakeholder-inclusive approach section of the [ESG report](#) (page 16) for more information about our stakeholder engagement approach. It details our key stakeholder relationships, the nature and quality of our relationships with strategic stakeholder groups and our responses to their concerns.

Stakeholder universe

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



Government

- Government departments
- Local government
- Political parties
- Provincial government
- District municipalities
- Regulators



Business

- NGOs
- Media
- Professional industry bodies
- Other mining organisations
- Universities
- Financial community
- Non-profit organisations



Communities

- Local media
- Faith-based organisations
- Taxi association
- Farmers and landowners
- Other mining companies
- Local SMMEs
- Local leadership
- Local schools
- Traditional leaders



Value chain participants

- Unions
- Investors/shareholders
- Strategic and other suppliers
- Partners
- Sponsors
- Customers
- Employees

Assessing engagement effectiveness

Engagement effectiveness is assessed by Exxaro's board and executive committee, which are responsible for stakeholder management and engagement. We measure perceptions of our engagement performance as part of periodic stakeholder surveys.

We also measure the quality of our relationships with our stakeholders through self-assessments.

Material engagements in 2024

While we engage regularly with multiple stakeholders, this section focuses on engagements most material to value creation and preservation with the following stakeholders:

TFR Operating Company and Transnet Rail Infrastructure Manager

Our established relationship with this stakeholder can be improved

Engagement purpose Collaborate in finding solutions to improve logistics.



[Our risks and opportunities](#) (page 28)

Stakeholder expectations and issues

- Due to Transnet's financial challenges and the state of rail infrastructure as a result of prolonged underinvestment, support from the private sector is required in terms of funding
- Collaboration on initiatives to improve rail freight volumes

Material themes



Strategic objectives



Key engagements and outcomes

- Cooperation improved noticeably in 2024, with constructive engagements between the chief coal operations officer and general manager marketing and logistics, and TFR CEO and chief commercial officer
- Our continued support of the National Logistics Crisis Committee focuses on improving rail performance by addressing issues such as security and resource availability
- Negotiations for a new long-term agreement/contract continue
- Weekly and monthly meetings at an operational level regarding coal line performance and commercial matters

Eskom

Our good relationship with this stakeholder has room for improvement

Engagement purpose Eskom remains a key Exxaro customer. In 2024, Exxaro attributed 72% of coal sales (per product tonnes) to Eskom. Long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. We engage regularly in light of Eskom's challenges.



[Our risks and opportunities](#) (page 28) and [manufactured capital](#) (page 108)

Stakeholder expectations and issues

- Quality, consistent and reliable product supply of coal
- Engagement on coal demand and supply, in accordance with CSAs

Material themes



Strategic objectives



Key engagements and outcomes

- Annual strategic and coal requirement engagements regarding Medupi and Matimba CSAs
- Regular planning and operational alignment engagements at Grootegeluk concerning Matimba and Medupi CSA contracts and at Matla regarding the Matla CSA

Creating stakeholder value continued

Employees

Our good relationship with this stakeholder has room for improvement

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

 [Our risks and opportunities](#) (page 28) and [human capital](#) (page 113)

Stakeholder expectations and issues

- Health and safety standards

Material themes



Strategic objectives




Key engagements and outcomes

- Regular engagements include management's VFL tours at BUs, the annual CEO safety summit and leadership safety day, BU safety indabas, operational mass meetings, safety stand-downs, Toolbox Talks and safety communications via LED screens, emails and notice boards
- Engagements focus on management's efforts to reduce the LTIFR by reinforcing the five safety focus areas. As a result, Exxaro achieved zero fatalities and an improved LTIFR of 0.06 (2023: 0.07) against a target of 0.05
- During the CEO safety summit, supervisors highlighted challenges that hinder their ability to perform their duties effectively, resulting in the roll-out of various initiatives
- Exxaro conducts ongoing safety training (including risk management, safety for supervisors and legal liabilities), which improves the quality of hazard identification and risk assessments
- Engaging with employees through XXoro, our new AI solution, which simplifies safety policies through explanations in four languages

Communities

Our established relationship with this stakeholder can be improved

Engagement purpose We aim to build relationships and grow our understanding of community needs to enable collaboration and successfully deliver socio-economic development projects. Engagements enable us to proactively resolve concerns raised by communities and avoid protest action. We aim to communicate how we create shared value through local employment and procurement, community development initiatives, skills development and ESD.

 [Our risks and opportunities](#) (page 28) and [social and relationship capital](#) (page 118)

Stakeholder expectations and issues

- Our communities expect Exxaro to employ, uplift and empower locally to enable South Africa's socio-economic development. There are ongoing expectations for procurement opportunities, while infrastructure development is also important
- Issues include lack of skills and youth not meeting basic recruitment requirements, hindering their access to employment opportunities

Material themes



Strategic objectives



Key engagements and outcomes

- In Q4 2024, the Human Rights Commission summoned Exxaro and other mining houses in Limpopo to an inquiry on human rights violations in mining communities. The inquiry was also attended by the DMRE, municipalities, office of the premier, and the universities of Limpopo and Venda. We presented our commitment to protect and uphold the human rights of employees and all people in our sphere of influence. In addition, we provided an update on our SLP implementation relating to our Limpopo mines
- Cooperating with the legal process underway regarding the black lung class action suit
- Exxaro's municipal capacity building programme in partnership with the National Business Initiative in Limpopo ended in 2024
- We engaged with various traditional councils in 2024, including the Ga Seleka Traditional Council in Lephalale and others in Delmas and eMalahleni, as well as with Tshikondeni Legacy Project Community representatives. We are collaborating with some of these councils to address issues such as youth unemployment
- We continue engagements around the minerals succession programme to strengthen the ecosystem of offtakers and funding institutions to complement Exxaro's funding for emerging farmers
- BUs host quarterly stakeholder engagement forums to resolve issues at a local level and address ongoing issues such as employment, youth training and procurement opportunities
- We engaged with affected stakeholders regarding stoppages at Leeuwpán due to protests, the Belfast relocation project and the Leeuwpán housing relocation project
- We conducted workshops at mines in closure about Exxaro's ESD programme, with increased awareness causing requests for funding from small businesses



Government, regulators, communities and investors

Our good relationship with government, regulators and investors has room for improvement

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



Our risks and opportunities (page 28), our Sustainable Growth and Impact strategy (page 54), social and relationship capital (page 118)



Our social impact (ESG report, page 62)

Stakeholder expectations and issues

- A key issue for South Africa is the role of big businesses in solving broader societal issues
- Government expects mines to plan for post-mine closure, job creation and broader community upliftment and to manage water responsibly, minimise environmental impacts and overcome climate change issues
- Customers and suppliers expect integrity and ethics in the business relationship
- Investors expect to understand Exxaro's value proposition and position on issues such as climate change, South Africa's energy transition, transformation, and socio-economic development
- We aim to build and maintain strategic partnerships that support the Sustainable Growth and Impact strategy
- The regulator expects compliance with standards and regulations and regular reporting
- All stakeholders desire effective communication on plans, strategies, financial and ESG performance, as well as assurance of compliance with authorisations and regulations

Material themes



Strategic objectives



Key engagements and outcomes

- Government and communities:
 - Ongoing consultation and collaboration around socio-economic development initiatives and communication on progress of implementation
- Investors and other stakeholders:
 - Transparent and honest disclosure
 - Improving compliance and risk mitigation through accurate financial reporting of audited statements
- Business and board:
 - Ongoing implementation of the Sustainable Growth and Impact strategy
- Regulatory bodies:
 - Quarterly reporting as required
- The Department of Water and Sanitation (DWS) was the focus of regulatory engagements in 2024 with the mature relationship resulting in the following successes:
 - Receiving an amended water use licence (WUL) for the Mokolo Crocodile Water Augmentation Project
 - The out-of-court settlement of the Matla WUL renewal matter and positive engagements regarding design proposals to facilitate the Mafube WUL
 - Well received proposals to investigate alternative solutions for the decant of water from the Durnacol mine in closure, which carries a high reputation risk as the water decanting impacts municipal water supply to a large community in northern KwaZulu-Natal
- Proactively engaging with the Department of Forestry, Fisheries and the Environment (DFFE) regarding the renewal of the Matla waste management licence to operate brine ponds
- Proactively engaging with the:
 - DWS and DFFE on water issues at our Hlobane mine in closure
 - DMRE* on the renewal of our Matla mining right
 - DWS and DMRE on discard dumps
- Processing requests for information through the Promotion of Access to Information Act, 2000 (Act 2 of 2000) and managing these

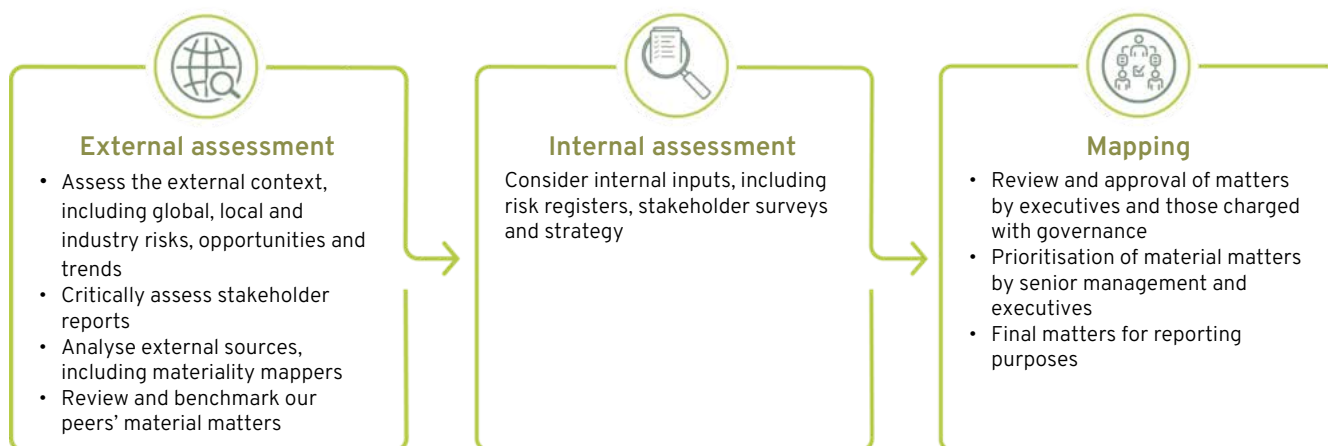
* Government is restructuring the DMRE, which will be replaced by the Department of Mineral and Petroleum Resources and the Department of Electricity and Energy. The DMRE remained the official regulatory body at the time of reporting.

Our material matters

Materiality considerations are a crucial guide for our reporting practices. The matters we view as material are those that significantly influence our ability to create and sustain value, not only for our organisation but also for our stakeholders and the natural environment.

Determining materiality

We perform an annual assessment of our material matters based on a detailed double materiality determination process. This enables us to identify our impact materiality (our outward impact on society, communities and the environment) and our financial materiality (matters that impact our ability to generate revenue and preserve stakeholder value over time). The process involves:

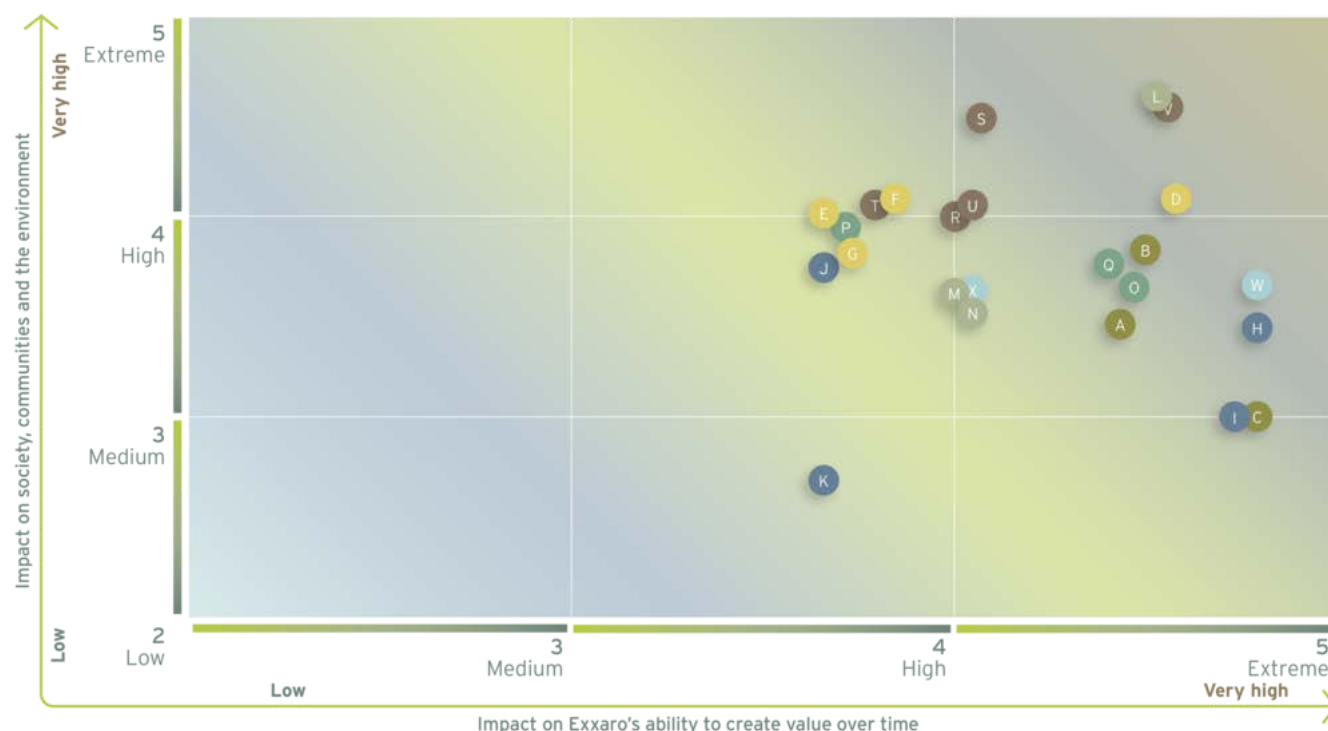


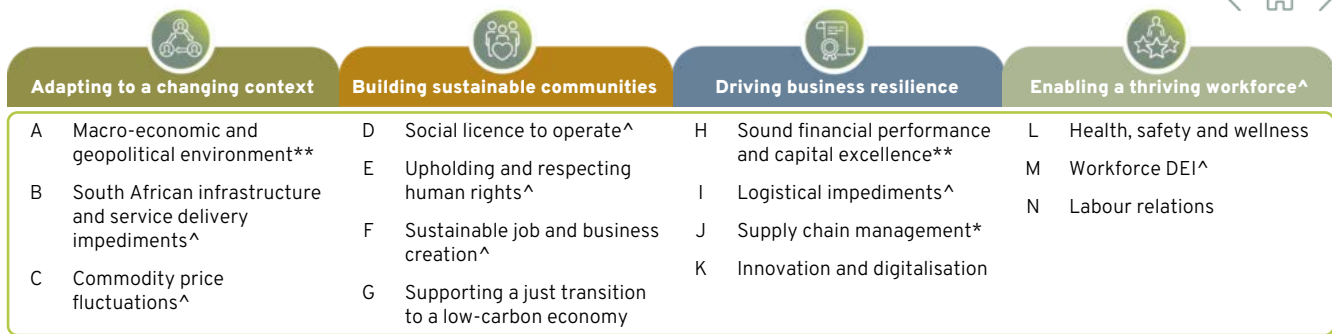
Our approach reflects the combined guidance of the Integrated Reporting Framework and Global Reporting Initiative, and results in matters that are prioritised and grouped into themes to inform our integrated and ESG report content. The information provided in this report focuses on issues that have a greater impact on Exxaro's ability to create value over time. Matters that have a higher impact on society, communities and the environment are discussed in detail in our ESG report. The materiality matrix below, along with the material theme discussions, depicts the relative disclosure levels across this report and our ESG report.

2024 material matters

Recognising that materiality is dynamic in nature, the process is conducted annually. This allows us to regularly and timeously reflect on matters that may evolve from being material from an impact perspective to being financially material. This year's review resulted in the 34 matters from 2023 being consolidated into 24 matters, across the same seven overarching themes. Changes to the matters are indicated in the footnotes on the next page and movements in the overall themes on the pages that follow.

Materiality matrix



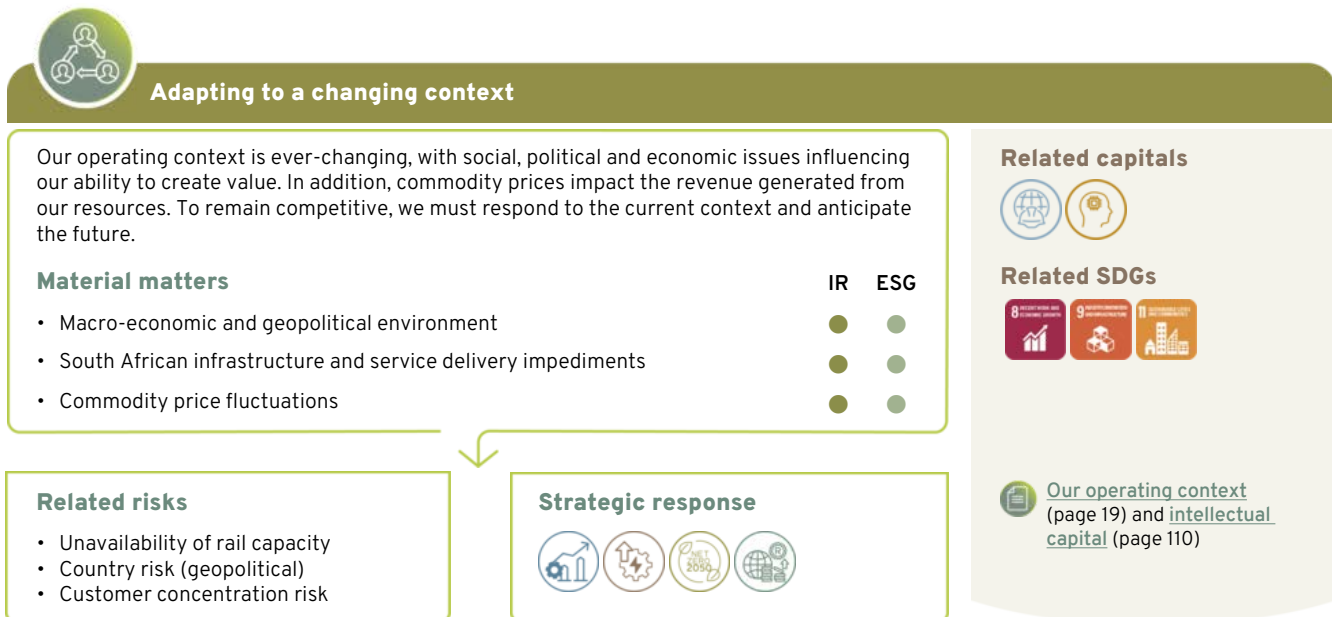


* New matter.

** Individual matters consolidated into one matter.

^ Matter or theme renamed, expanded or refined.

Our material themes



● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:

Downward movement on impact materiality scale compared to 2023

Our material matters continued



Building sustainable communities

Our business activities affect our stakeholders who, in turn, respond to these impacts. Maintaining our social licence to operate depends on the strength of our relationships with our stakeholders, how we protect the natural environment and our adherence to legislation.

Material matters

- Social licence to operate
- Upholding and respecting human rights
- Sustainable job and business creation
- Supporting a just transition to a low-carbon economy

IR ESG



Related risks

- Adverse threat to licence to operate
- Community unrest

Strategic response



Related capitals



Related SDGs



[Social and relationship capital](#) (page 118)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:
No significant movement



Driving business resilience

Business resilience supports the achievement of our strategic objectives. We enhance our business resilience through robust financial results, building strength and protecting human and labour rights in our supply chain, effective capital allocation, compliance excellence, entrenching innovation and driving digitalisation.

Material matters

- Sound financial performance and capital excellence
- Logistical impediments
- Supply chain management
- Innovation and digitalisation

IR ESG



Related risks

- Unavailability of rail capacity
- Cybersecurity attacks impacting business
- Country risk (geopolitical)
- Customer concentration risk
- Financial targets not met

Strategic response



Related capitals



Related SDGs



[Prioritising good governance](#) (page 67), [financial capital](#) (page 96) and [intellectual capital](#) (page 110)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:
No significant movement



Enabling a thriving workforce

Our employees drive our strategy and enable our performance. Delivering on our strategic goals requires a safe working environment and a culture that promotes DEI, while driving adaptability and innovation.

Material matters

- Health, safety and wellness
- Workforce DEI
- Labour relations

IR ESG



Related risks

- Fatal risk incidents
- Inability to achieve growth objectives

Strategic response



Related capitals



Related SDGs



[Human capital](#) (page 113)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:

No significant movement



Executing our strategy

Recognising that climate change is an undeniable reality, we developed a strategy and business objectives to respond to the short and long-term risks and opportunities it presents. Our response includes diversifying our assets, growing our energy solutions business and optimising our coal portfolio by disposing of non-core assets.

Material matters

- Diversify responsibly into energy transition minerals and grow our energy solutions business while protecting and optimising our coal portfolio and business
- Build a leading energy solutions business

IR ESG



Related risks

- Unavailability of rail capacity
- Fatal risk incidents
- Country risk (geopolitical)
- Inability to achieve growth objectives
- Decarbonisation challenges

Strategic response



Related capitals



Related SDGs



[Our Sustainable Growth and Impact strategy](#) (page 54)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:

No significant movement

Our material matters continued



Principled governance

We prioritise corporate governance principles to enhance stakeholder trust, strengthen our reputation as a good corporate citizen and bolster our resilience in a changing environment.

Material matters

- Transparency, ethics and integrity
- Embedding ESG
- Legal, regulatory, risk and compliance excellence

IR ESG



Related risks

- Unavailability of rail capacity
- Cybersecurity attacks impacting business
- Customer concentration risk
- Country risk (geopolitical)
- Decarbonisation challenges

Strategic response




Related capitals



Related SDGs



 [Prioritising good governance](#) (page 67)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:

No significant movement



Responsible environmental stewardship

We recognise the impact of mining on the environment and must ensure we are responsible stewards of the natural resources upon which our operations and communities rely. Our goal is to ensure a sustainable future for our employees, communities and the planet.

Material matters

- Carbon emissions reduction and impact of climate change
- Environmental incidents
- Water stewardship
- Waste and pollution management
- Biodiversity and rehabilitation management

IR ESG



Related risks

- Country risk (geopolitical)
- Customer concentration risk
- Decarbonisation challenges

Strategic response



Related capitals



Related SDGs



 [Natural capital](#) (page 120)

● Detailed disclosure ● Summarised disclosure

Year-on-year theme movement on materiality matrix:

Upward movement on impact materiality and financial materiality scales compared to 2023