ABOUT THIS REPORT

Exxaro's 2020 environmental, social and governance (ESG) report communicates our creation and preservation of value for stakeholders over time. We made a concerted effort to be more transparent, clear and concise in discussions about our material matters and strategic response.

Visit our website for historical information.

OUR ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

Exxaro voluntarily endorses the United Nations Sustainable Development Goals (UN SDGs), benchmarking our performance against global best practice, to leave a lasting positive impact. Further, we participate in South Africa's National Business Initiative (NBI) to align the SDGs with the country's National Development Plan (NDP) 2030.

Our intent to power possibilities encourages us to support the SDGs listed below for the following reasons:

- Our purpose statement, to power better lives in Africa and beyond, acknowledges the challenges that prevail on our continent and the role of Exxaro to overcome these challenges
- Our strategic objectives, within the context of a just transition, aim to support the purpose through our vision of "powering a clean world"



Ensure healthy lives



Provide quality education and lifelong learning



Empower girls and women to achieve gender equality



Generate and secure sustainable clean energy



Create jobs, sustainable livelihoods and equitable growth



Make our local communities inclusive, safe, resilient and sustainable



Manage natural resource assets sustainably



Combat climate change and mitigate its impacts



Protect our environment and minimise biodiversity loss



Ensure good governance, effective institutions, and stable and peaceful societies



Create constructive partnerships between ourselves, governments, the private sector and civil society

Our Sustainable Growth and Impact strategy on page 54 of our integrated report details our support of the NDP and the SDGs.

INTEGRATED THINKING AND OUR SIX CAPITALS

Exxaro believes in holistic and sustainable value creation, enabled through carefully considering the relationship between the capitals we affect. We integrate the six capitals into our business model and strategy, and continuously strive to positively contribute to and negate any adverse impacts on these capitals. We do this to ensure our sustained success and foster a more sustainable operating environment for South Africa, Africa and beyond. We also aim to create and preserve value for our stakeholders and society at large, and to prevent the erosion thereof. In this report, we share our progress in this regard and demonstrate our future prospects. The six capitals we use and affect are:



Natural



Social and relationship



Manufactured



Human



Intellectual



Financial

OUR ESG FOCUS

Exxaro is a leader in business management with sound ESG principles that deliver sustainable economic returns and tangible benefits for all stakeholders.

The group is ranked #1 for ESG performance-selected resources company metrics, in terms of the FTSE Russell index. Everything we do today is geared towards ensuring a safer and more productive tomorrow. Our sustainability is founded on creative, mutually constructive relationships and values we share with our stakeholders. We conduct our business activities in a way that creates success for Exxaro and for society. From how we mine to what we mine, we are stewarding our natural assets and social capital to uplift our communities.

With a proven track record confirming that we deliver solid returns, Exxaro continues to present an outstanding investment opportunity. Our exemplary ESG performance over the past year is evident in our above-target safety performance, our management of COVID-19 risks and our climate change response strategy demonstrating our commitment to the Task Force on Climate-related Financial Disclosures (TCFD) guidelines.

Selected key sustainability metrics have been independently assured by PwC (see page 171 for the assurance report). This process confirms our commitment to continuously improve our reporting to our stakeholders.

REPORTING SUITE

For completeness, this report should be read in conjunction with Exxaro's suite of reports (shown below) for the period from 1 January 2020 to 31 December 2020 (the 2020 financial year) available on our website under the investors tab.



Integrated report



Climate change response strategy report



Tax report



Consolidated Minerals and Reserves report



Group and company annual financial statements



Summarised AFS and notice of annual general meeting

Our reports cover financial and non-financial information about the group's activities in South Africa, Europe, the United States of America (USA) and Australia. We include limited information about operations where we do not have management control but hold a significant interest. On 31 December 2020, these investments mainly include an equity interest in Sishen Iron Ore Company Proprietary Limited (SIOC), an investment in Mafube Coal Proprietary Limited (Mafube) (a 50% joint venture with Anglo South Africa Capital Proprietary Limited), an interest in Black Mountain Proprietary Limited (Black Mountain) as well as an equity interest in Tronox SA (both South African-based operations).

Exxaro also has other business interest in Switzerland (marketing of coal), United Kingdom (equity interest in Insect Technology Group Holdings UK Limited), Israel (LightApp Technologies Limited), Australia (Moranbah joint operation with Anglo Coal (Grosvenor) Proprietary Limited) as well as the United States of America (an equity interest in Tronox Holdings plc).

Reporting frameworks

The content of this report is guided by:

- Our materiality determination process (page 6)
- Companies Act, No 71 of 2008, as amended (Companies Act)
- International Financial Reporting Standards (IFRS)
- JSE Limited (JSE) Listings Requirements
- Department of Trade, Industry and Competition's (dtic) broad-based black economic empowerment (B-BBEE) codes of good practice
- Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)
- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework (<IR> Framework)
- United Nations Global Compact (UNGC)
- Global Reporting Initiative (GRI) standards (elements of the ESG report are cross-referenced for a broader perspective)
- King IV Report on Corporate Governance for South Africa, 2016 (King IV™)*

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EVOLUTION OF A 21ST CENTURY COMPANY

Exxaro was created and listed on the JSE in November 2006. Since then, we have grown to become South Africa's foremost black-empowered and diversified commodities company with a global asset portfolio including coal operations and investments in iron ore, pigment manufacturing*, renewable energy (wind) and residual base metals.



2006

- On 27 November 2006, Kumba Resources Limited (Kumba Resources) unbundled its iron ore business and created two separate focused mining groups – Exxaro Resources and Kumba Iron Ore Limited (listed on the JSE in the general mining sector)
- Exxaro's assets were:
  - Coal
  - Mineral sands
  - Base metals and industrial minerals

Listing share price: R57.58

2007

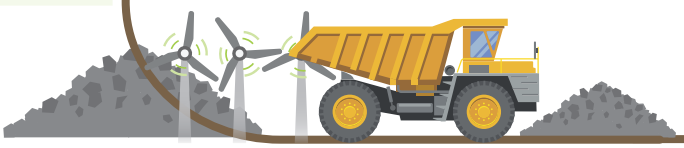
- **Medupi coal supply agreement signed**
- Acquired Namakwa Sands
- Deal of the Year Award; creation of Exxaro Resources Limited
- Top employer in South African mining industry (Top Employers Institute)

Closing share price: R103.45

2013

- **Frost and Sullivan Visionary Innovation Leadership Award**
- Deloitte Best Company to Work For (second place in mining category)
- Carbon Disclosure Leadership Index score of 97 points
- Best risk information system implementation award (Institute of Risk Management South Africa)
- **Top 10 in EY Excellence in Integrated Reporting Awards**

Closing share price: R146.46



2014

- **Top employer in South African mining industry** (Top Employers Institute)
- Deloitte Best Company to Work For (resources sector)
- **Top 10 global leaders in Carbon Disclosure Leadership Index**
- Top 10 in EY Excellence in Integrated Reporting Awards

Closing share price: R103.50

2016

- **New CEO appointed: Mxolisi Mgojo replaced Sipho Nkosi**
- Merit award in EY Excellence in Integrated Reporting Awards
- **Exxaro's 10-year BEE ownership structure unwinds**
- **Cennergi windfarms commissioned**
- Thabametsi project approved
- North Block complex receives the prestigious **JT Ryan Award** for operating with no fatality since 1925

Closing share price: R89.50

2015

- **Global bronze medal in RobecoSAM 2015 sustainability reference guide (for ESG performance)**
- **Best Corporate Governance Award for Africa region (*Ethical Boardroom* magazine)**
- Merit award in EY Excellence in Integrated Reporting Awards
- Acquired Total Coal South Africa

Closing share price: R44.04



2019

- **Coal Safe Awards for Matla 1 and Leeuwpan mines for 40 fatality-free years**
- Moved to the conneXXion
- Partnership with Accenture awarded silver in Loerie Awards for MyNexxt learning and development platform
- Finalist in 2019 South African Graduate Employers Association Awards (mining sector)
- **Newcomer Award in Absa Business Day Supplier Development Awards 2019**
- Localisation and enterprise and supplier development (ESD) recognition award at 2019 South Africa Investment Conference
- Top 40 winner in CSSA's Integrated Reporting Awards
- **Coal Safe Best Safety Performance** for a company with over 10 000 employees

Closing share price: R131.14

** Tronox – sold in February 2021.*

As a major coal supplier, we understand the importance of a just transition to a low-carbon world (details in our strategy). Our journey includes incorporating small-scale renewable energy solutions into our existing portfolio to reach this milestone by 2050. Details of our strategic performance are on page 20.

2008

- **Signatory to the UNGC**
- Included in JSE Socially Responsible Investment Index

Closing share price: R71.90

2009

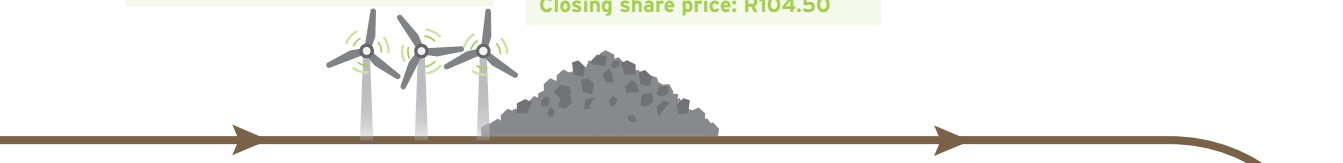
- Exxaro's Evergreen Awards instituted to recognise top performers in various categories of the organisation

Closing share price: R104.50

2010

- Reduced HIV/Aids prevalence to 13% (national rate was 25%)

Closing share price: R136.24



2011

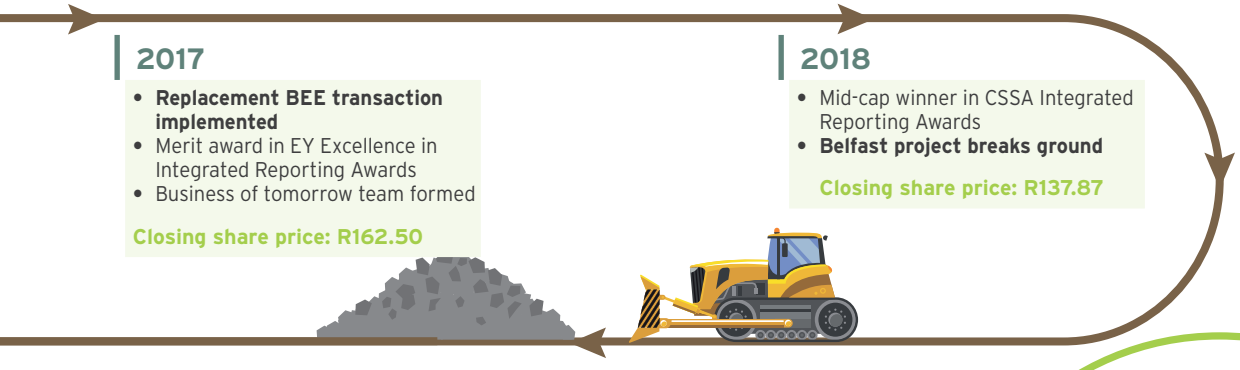
- **Progress with energy and carbon management measurements across the business**
- Top 10 in EY Excellence in Integrated Reporting Awards

Closing share price: R168.00

2012

- Zeeland water-treatment plant near Lephalale in Limpopo received Blue Drop certification
- Carbon Disclosure Project Leadership Index top score of 100 points
- **Among top 10 companies worldwide delivering highest returns to shareholders over 10 years (Boston Consulting Group)**
- Cennergi (joint venture with Tata Power) formed to realise renewable energy ambitions

Closing share price: R169.00



2018

- Mid-cap winner in CSSA Integrated Reporting Awards
- **Belfast project breaks ground**

Closing share price: R137.87

2017

- **Replacement BEE transaction implemented**
- Merit award in EY Excellence in Integrated Reporting Awards
- Business of tomorrow team formed

Closing share price: R162.50



Closing share price:

R138.90

2020

- **Cennergi became wholly owned subsidiary of Exxaro on 1 April 2020**
- Achieved three fatality-free years in March 2020
- LTIFR = 0.05
- **Collaborated with communities, public and private sectors to mitigate COVID-19 (donated R20 million to Solidarity Fund)**
- South Africa winner for 2021 and accredited as a Top Employer in South African (Top Employers Institute)
- Ranked 13th in the *Sunday Times* Top 100 Companies in South Africa in the 2020 listing
- Ranked third in the TRAC SA 2020
- **Published climate change position statement**
- **Ranked among 100 best emerging market ESG performers by Vigeo Eiris**
- Matla achieved 730 LTI-free days
- Secondary listing on A2X Markets
- The conneXXion awarded silver WELL Core and Shell certification by International WELL Building Institute (first in South Africa)
- Record coal exports of 12Mt

OUR MATERIAL MATTERS

Our material matters guide our integrated reporting process which is guided in turn by strategic and integrated thinking that enables holistic sustainable value creation and preservation. These matters help us manage our risks and opportunities, and guide our commitment to our stakeholders. We determine these material matters through a detailed materiality determination process.

DETERMINING MATERIALITY

The purpose of our materiality determination process is to give our stakeholders insight into the matters that may affect our ability to create and preserve value over time.

Materiality determination process

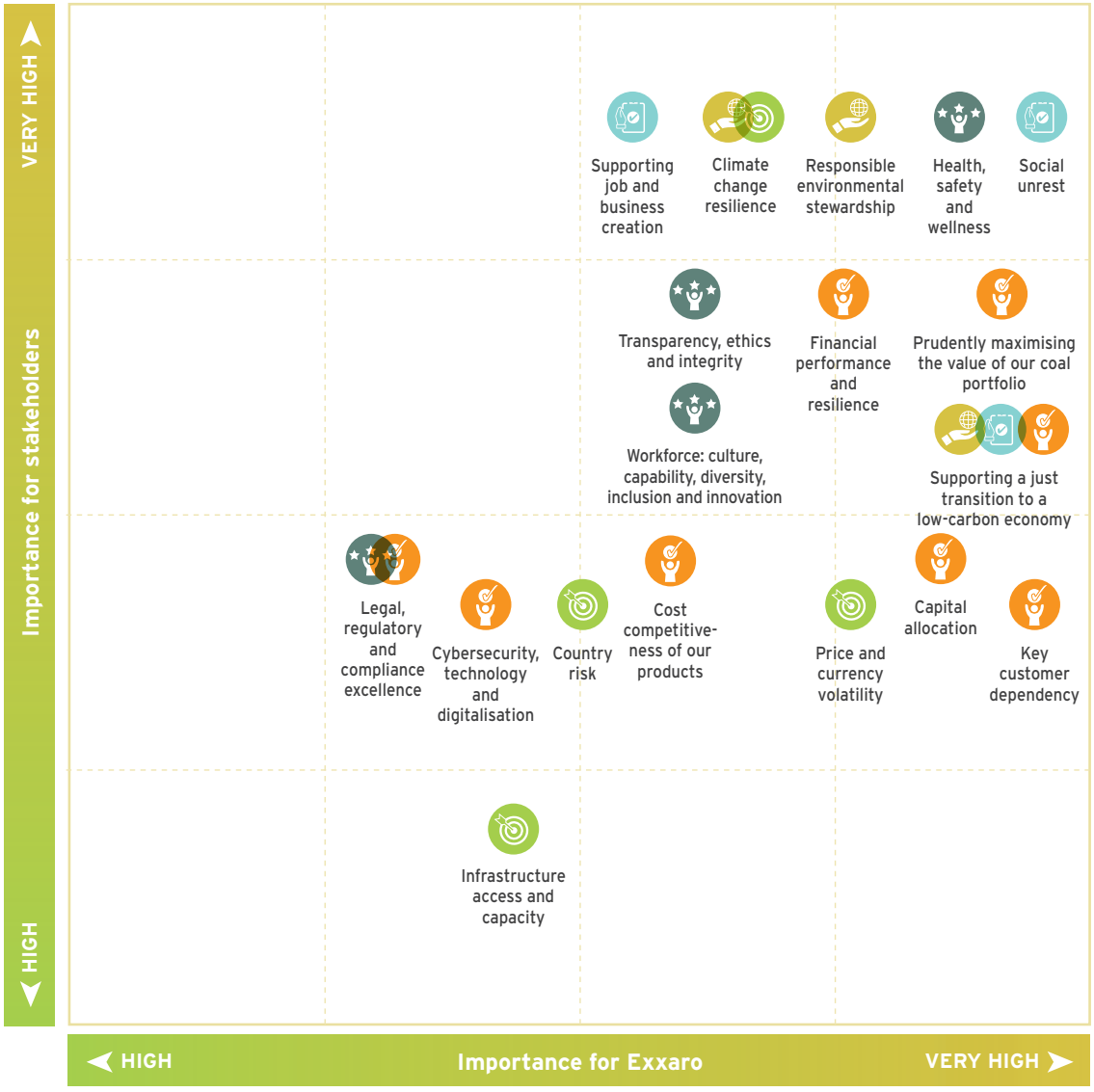


MATERIALITY MATRIX

Our materiality determination process identified 18 material matters. These are shown in the matrix below, reflecting their importance for Exxaro versus their importance for stakeholders.

The identified material matters are mapped in the matrix below under five themes:

Theme	Material matters
Macro-environment The context in which we operate considering material matters.	• Price and currency volatility • Country risk • Infrastructure access and capacity • Climate change resilience • Social unrest
Business resilience The business's ability to respond to key macro-issues and success in achieving its objectives.	• Key customer dependency • Financial performance and resilience • Prudently maximising the value of our coal portfolio • Supporting a just transition to a low-carbon economy • Cost competitiveness of products • Capital allocation • Legal, regulatory and compliance excellence • Cybersecurity, technology and digitalisation
Our people We refer to the organisation's internal stakeholders and our external stakeholders in our supply and value chains.	• Legal, regulatory and compliance excellence • Transparency, ethics and integrity • Workforce: culture, capability, diversity, inclusion and innovation • Health, safety and wellness
Social licence to operate We operate in an environment of stakeholder capitalisations and where our business activities impact our stakeholders who respond to these impacts. This interaction provides for a social licence to operate beyond regulatory licences and permits.	• Social unrest • Supporting job and business creation • Supporting a just transition to a low-carbon economy
Climate change Climate change is no longer a refutable event. We are committed to the Pan Agreement and established business objectives to respond to the risks and opportunities presented by climate change.	• Responsible environmental stewardship • Climate change resilience • Supporting a just transition to the low-carbon economy



Macro-environment | Business resilience | Our people | Social licence to operate | Climate change

OUR MATERIAL MATTERS continued

OUR MATERIAL MATTERS IN ACTION

Since 2019, our material matters have broadened in scope and significance, not surprising given the broader macro-trends such as COVID-19, global instability and climate change. Each material matter is explained below and aligns with our strategy (during 2020), business model and selected SDGs.

PRICE AND CURRENCY VOLATILITY

Why this matters

Price volatility refers to fluctuations in the price of our export and some domestic coal products. Currency volatility refers to fluctuations in the exchange rate for exports. As a price taker with product prices denominated in United States (US) dollar, we are exposed to changes in the US dollar to South African rand exchange rate and shifts in coal and iron ore prices (two major contributors to earnings).

Larger macro-economic factors impact price and currency volatility. We have no control over these, which could significantly impact our business. We implement several plans to manage these challenges in our approved risk appetite (limited price hedging) and remain cognisant of the potential impact. Additionally, our revenue is diversified by Eskom's fixed contracts with annual price escalation, providing a degree of stability.

Material theme	2020 strategic objectives*	Related risks	Related SDGs
Macro-environment	• Ensuring the sustainability of our business • Optimising our portfolio • Prudently optimising capital	• COVID-19 concerns • Eskom systemic risk • Cost competitiveness of products • Country risk (political) • Low commodity price	8 DECENT WORK AND ECONOMIC GROWTH 7 AFFORDABLE AND CLEAN ENERGY

Related capitals

Affected stakeholders

Customers, investors (returns on investment), employees (employment security) communities and government (taxes and employment)

Key stakeholder engagements

Exxaro engages continuously with customers and the market on coal pricing.

- Export volume pricing is based on All Publications Index 4
- Eskom coal pricing for long term supply contracts at Grootgeluk are fixed and adjusted annually based on inflation
- Short-term coal supply contracts to Eskom for Exxaro Coal Central Proprietary Limited (ECC) and Leeuwpan were not concluded by year end

Refer to the macro-environment section in the integrated report for more information.

COUNTRY RISK

Why this matters

Country risk refers to the inherent risk of conducting business in a country.

We are exposed primarily to risks relating to South Africa – our home base. These risks include high levels of unemployment, downgrades by credit rating agencies, dampened economic growth and lagging policy reform. Country risk remains a critical risk area for us to monitor as deterioration may affect the ease of doing business, operational returns and the attractiveness of South Africa as an investment destination. We continue monitoring these risks and implement appropriate strategies, where possible, to ensure we can create value for our stakeholders and deliver on our purpose.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Macro-environment	• Ensuring the sustainability of our business • Optimising our portfolio • Prudently optimising capital	• COVID-19 concerns • Eskom systemic risk • Cost competitiveness of products • Country risk (political) • Low commodity price • Unavailability of rail capacity	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

All stakeholders could be affected to varying degrees by a deteriorating operating environment. Ongoing engagements with stakeholders on Exxaro's response to this risk.

Refer to the macro-environment section in the integrated report for more information.

** All material matters correlate to our 2020 strategy, but have also informed our new Strategic Growth and Impact strategy.* *See page 54 of the integrated report for more information on our strategic evolution.*

KEY CUSTOMER DEPENDENCY

Why this matters

Our operational sustainability is tied to the success of Eskom, the national power utility in 2020, and ArcelorMittal SA Limited (Arcelor Mittal).

We continue collaborating with our customers to ensure mutual success while looking to broaden our customer base.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• Eskom systemic risk • Cost competitiveness of products	8 DECENT WORK AND ECONOMIC GROWTH

Related capitals

Affected stakeholders

Customers, and investors and analysts

Key stakeholder engagements

- During South Africa's first COVID-19 lockdown, Eskom declared force majeure at both Matimba and Medupi power stations indicating that the demand would be lower. Our view was and continues to be, that the event did not constitute a force majeure, as stipulated in the coal supply agreements. We continue to engage with Eskom on this and other issues
- Production volumes reduced during the first part of the year as a result of the COVID-19 lockdown. As producers returned to full production, we saw a marked increase in demand. We kept in close contact with our key customers and were able to respond promptly as their coal demands increased
- Some customers were adversely affected by the COVID-19 pandemic and requested more lenient payment terms in the short term
- As these requests were for extended payment terms over a short period, Exxaro responded favourably to these requests; at the same time, managing this closely to ensure that the customers did not default on the agreed terms

Refer to the business resilience section in the integrated report for more information.

INFRASTRUCTURE ACCESS AND CAPACITY

Why this matters

Infrastructure access and capacity relate to ports, railways, mines and power stations.

Outdated, inefficient or poorly functioning infrastructure, as well as a lack of access to infrastructure, can adversely impact our operations' effectiveness and our ability to service our customers and other stakeholders.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Macro-environment	• Ensuring the sustainability of our business • Optimising our portfolio • Prudently optimising capital	• Unavailability of rail capacity • Cost competitiveness of products • Country risk	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Customers, suppliers, government, investors and analysts

Key stakeholder engagements

Engagements with Transnet Freight Rail take place regularly and at various levels in order to discuss matters of both operational and strategic consequence. Exxaro experienced challenges with the availability of trains.

Refer to the macro-environment section in the integrated report for more information.

OUR MATERIAL MATTERS continued

PRUDENTLY MAXIMISING THE VALUE OF OUR COAL PORTFOLIO

Why this matters

Our coal portfolio is a valuable natural resource entrusted to us, and must be selectively and responsibly extracted to ensure we optimise its value, support economic growth and social development while safeguarding the natural environment, managing reputational risks and preparing for the low-carbon future.

Our just transition to a low-carbon future has a foothold on the early value coal strategy, a key pillar of our Sustainable Growth and Impact strategy.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• COVID-19 concerns • Community unrest • Safety and health concerns • Cost competitiveness of products • Climate change concerns • Country risk (political) • Inability to achieve financial targets • Low commodity price	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Related capitals

Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, unions, non-governmental organisations (NGOs), and investors and analysts

Key stakeholder engagements

- We have made good progress in our efforts to divest from the less robust local assets
- We have intensified our engagement with Anglo in order to facilitate processes to get to an investment decision on Moranbah South in as minimal time as possible
- At Leeuwpan and ECC, we continued to update employees on the progress of the divestment process and to address their concerns about the change of ownership
- Our early value coal strategy aims to reduce the potential for stranded assets and maximise the value of the coal business in the short to medium term establishing a foundation for transitioning to a low-carbon future

Refer to the business resilience section in the integrated report for more information.

SUPPORTING A JUST TRANSITION TO A LOW-CARBON ECONOMY

Why this matters

Exxaro is committed to alleviating potential social and relationship and human capital disruption that could lead to further unemployment and poverty.

We consider the social impact on employees and communities who depend on the coal economy and respond by preparing affected people through appropriate skills and social support structures, for example alternative economic activities.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• Climate change concerns	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, unions, NGOs, and investors and analysts

Key stakeholder engagements

- As we move towards carbon neutrality by 2050, we continue to ensure that our transition contributes to the socio-economic wellbeing of the communities in which we operate. We continue to empower local suppliers and emerging small businesses to grow their businesses beyond the life of our operations
- We have begun establishing strategic relationships to support us in our mineral succession planning, whereby we are evaluating the alternative use of rehabilitated land for economic activities beyond mining

Refer to the business resilience section in the integrated report for more information.

FINANCIAL PERFORMANCE AND RESILIENCE

Why this matters

Over time, our financial performance and resilience directly influence our business's sustainability, success and viability.

Without delivering solid returns to shareholders over time and ensuring we have the financial resources to implement our growth plans and social development objectives, we cannot deliver value to our broader stakeholders.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• COVID-19 concerns • Eskom systemic risk • Cost competitiveness of products • Country risk (political) • Inability to achieve financial targets • Low commodity price	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES

Related capital

Affected stakeholders

Investors and analysts, customers, suppliers, government, communities, employees and contractors

Key stakeholder engagements

We have adopted agility in our day-to-day business operations, by implementing new ways of work, that allowed us to capture opportunities that presented themselves during the pandemic. Our newly implemented short-cycle value chain control, which is part of our new ways of work and response to the challenges brought by the pandemic, helped in ensuring product placement across various markets, even during global lockdown.

- The deteriorating macro-environment and the economic shock from COVID-19 resulted in the reduced financial viability of many contractors
- We engaged extensively with strategic suppliers with the view of tapping into the innovation potential and to delivering further value. Commodities that have been positively impacted by this review include the sourcing of magnetite and fuel

Refer to the business resilience section in the integrated report for more information.

COST COMPETITIVENESS OF PRODUCTS

Why this matters

Cost competitiveness is our ability to sustainably produce quality coal products at the lowest marginal and average total cost, both in the short and long term. We strive to ensure our coal operations are best-in-class and cost competitive through our operational excellence drive, including adopting relevant technology and innovation, as we continue meeting customer expectations in terms of volumes, quality and price. Being cost competitive in an environment of price volatility is a key tenant of our operational excellence strategy.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• COVID-19 concerns • Eskom systemic risk • Unavailability of rail capacity • Cost competitiveness of products • Country risk (political) • Inability to achieve financial targets • Low commodity price	7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES

Related capitals

Affected stakeholders

Customers, suppliers, employees, contractors, and investors and analysts

Key stakeholder engagements

- Exxaro is only competitive if we can sell our products profitably at market-related pricing. To this end Exxaro engages continuously with customers on what product works best in the required application. We also take a value chain approach by following a market to resource optimisation strategy
- Given the impact of COVID-19, we have implemented a cost-saving drive called "closing the gap" across our operations, which has enabled us to preserve cash, thereby ensuring healthy cash flow to mitigate the impact of the pandemic on our business operations

Refer to the business resilience section in the integrated report for more information.

OUR MATERIAL MATTERS continued

CAPITAL ALLOCATION

Why this matters

Capital allocation refers to how we invest and distribute our financial resources to support our strategy, increase efficiency, expand operations and maximise value. We carefully consider how we allocate capital to achieve our strategic goals and invest in our current operations and future growth plans.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• Eskom systemic risk • Cost competitiveness of products • Inability to achieve financial targets • Low commodity price	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES

Related capitals

Affected stakeholders

Investors and analysts, and debt funders

Key stakeholder engagements

- Our capital allocation framework provides a guideline for the use of cash generated, including the dividend policy and reinvestment strategy to enhance the return on capital employed (ROCE). Business of tomorrow investments have ceased and are held for possible future divestment
- A key consideration for proceeds received from the disposal of our Tronox investment was the special dividend and share buy back during Q2 2021

Refer to the business resilience section in the integrated report for more information.

LEGAL, REGULATORY AND COMPLIANCE EXCELLENCE

Why this matters

Legal, regulatory and compliance excellence is our awareness and understanding of, and compliance with relevant industry and company laws, policies and regulations.

For Exxaro, this means actively monitoring the regulatory environment to identify any changes in compliance requirements and adapting to compliance efforts accordingly, maintaining our licence to operate and going beyond compliance. This includes, among others, codes of good practice, industry charters and other regulations, and best practice such as the UN SDGs and NDP.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Business resilience **Our people**	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• Community unrest • Safety and health concerns • Climate change concerns • Country risk (political)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Government, employees, contractors, and investors and analysts

Key stakeholder engagements

- We regularly engage with the relevant authorities to ensure that our permits and rights are up to date and protected

Refer to the business resilience and our people sections in the integrated report for more information.

TRANSPARENCY, ETHICS AND INTEGRITY

Why this matters

Creating and preserving value for our stakeholders is guided by our values and requires effective and efficient governance processes and practices informed by good corporate citizenship pillars, namely transparency, accountability and integrity.

We continuously aim to be a responsible and ethical corporate citizen. Our approach to transparency, ethics and integrity encompasses among others, fraud prevention, anti-bribery and anti-corruption. In addition, we face intense scrutiny by consumers and activists demanding greater visibility and transparency regarding our carbon footprint and emissions reduction strategies, environmental stewardship and achieving social objectives.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Our people	• Ensuring the sustainability of our business	• Community unrest • Safety and health concerns • Climate change concerns	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Customers, suppliers, employees and contractors

Key stakeholder engagements

- The procurement fraud and the proliferation of procurement scams present a risk to Exxaro and its suppliers. Above inflation increase in input costs present a risk to Exxaro's financial sustainability. The adoption of best-in-class business processes and technology has enabled us to respond to both financial and fraud risks. During 2020 the board approved a new source to pay and accounts payable policy, we reviewed our supplier code of conduct, which articulates a commitment to the prevention of corrupt practice, anti bribery and corruption laws and we improved our supplier due diligence processes. All suppliers are required to commit to this code of conduct as a condition of tender. In 2020, online training on Exxaro's anti-bribery and anti-corruption policies was carried out with employees and contractors. In 2020 we also completed the roll-out of Coupa, a Software as a Service (SaaS)-based e-procurement platform that will further reduce fraud, increase transactional speed and enable greater value release through savings
- Board governance sessions are held twice a year to update the board and executive leadership on key and leading trends on governance

Refer to the our people section in the integrated report for more information.

RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

Why this matters

Environmental stewardship refers to responsibly using the natural resources we rely on.

It highlights the custodial role we play in terms of how we use, manage and protect the natural environment while delivering on our strategic objectives and ensuring we create value for our stakeholders and the country at large. Key stewardship efforts relate to water, air quality and carbon emission reduction.

Material theme	Strategic objectives	Related risks	Related SDGs
Climate change **Social licence to operate**	• Ensuring the sustainability of our business	• Climate change concerns • Water security • Air pollution • Biodiversity and land use	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND

Related capitals

Affected stakeholders

Communities, customers, suppliers, government, employees, contractors, NGOs, and investors and analysts

Key stakeholder engagements

- Several initiatives are underway aimed at reducing the environmental impact of Exxaro. A pilot study is being conducted with the collaboration of original equipment manufacturers to pilot the use of compressed natural gas on haulage trucks. Similarly, Exxaro has concluded an agreement with a service provider to recycle old off-road tyres

Refer to the social licence to operate and our environment sections in the integrated report for more information.

OUR MATERIAL MATTERS continued

CLIMATE CHANGE RESILIENCE

Why this matters

Climate change resilience refers to our ability to adapt and succeed in the face of direct and indirect climate change impacts. In addition to addressing and managing these risks, it encompasses our ability to capitalise on the strategic opportunities presented by the shift to a lower-carbon and resource-constrained economy.

Guided by our purpose, our Sustainable Growth and Impact strategy is designed to ensure we are able to manage the direct and indirect climate change impacts on our current portfolio while ensuring we are able to contribute to the low-carbon environment of the future.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Macro-environment **Climate change**	• Achieve carbon neutrality by 2050	• Climate change concerns	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND

Related capitals

Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

- We recognise the numerous benefits associated with adopting a value chain approach to climate adaptation and resilience, especially given that the negative impacts of climate change are not only limited to our business's operating space. Therefore, during 2020, engagements with our host communities and other value chain partners were undertaken to enable us to adopt critical elements for the design of a comprehensive climate adaptation and resilience approach which is largely based on sustainably investing in our operations, communities and value chain partners.
- We have completed our TCFD recommendations assessment, with a favourable score of 90%. The outcome of the assessment will provide a framework for the future engagement of shareholders and other capital providers.

Refer to the macro-environment and our environment sections in the integrated report for more information.

Detailed disclosure is available in our CCRS report

Cennergi's Amakhala Emoyeni windfarm



WORKFORCE: CULTURE, CAPABILITY, DIVERSITY, INCLUSION AND INNOVATION

Why this matters

Our corporate culture is critical in determining our success today and in years to come. We aim to foster a culture that supports adaptability and innovation, leveraging the strength of diversity to enable our success.

We are committed to ensuring we have the right capabilities and values to deliver on our strategy and lead the business into the future to achieve our vision and fulfil our purpose.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Our people	• Ensuring the sustainability of our business • Delivering operational excellence • Creating a culture of inclusivity, agility and adaptability • Strengthen our capabilities • Drive performance to support our strategy	• COVID-19 concerns • Community unrest • Safety and health concerns	4 QUALITY EDUCATION 5 GENDER EQUALITY 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Customers, suppliers, employees and contractors

Key stakeholder engagements

- Exxaro is in the second year of a culture shift that is seeking to promote new ways of working across the organisation. After extensive face-to-face launch events with employees in 2019, the focus turned to internal communications in 2020 via email, portal and the SMS/mobile platform, LetsConnect. The culture changes are supported by the launch of a new online learning platform and a new leadership philosophy built around mindsets.
- Exxaro is exploring partnerships with several stakeholders to support the implementation of our diversity and inclusion strategy and to benchmark policies and practices. In 2020, we signed up to the United Nations Women's Empowerment Principles, which offer guidance on how we can further empower women in our workplace and in our communities. We met with the Department of Women, Youth and Persons with Disabilities and the Gender Equality Commission to understand national initiatives to which we could direct our support, and we engaged with the NBI to better understand its transformation and equity programme. We continue to work closely with Women in Mining in South Africa where a key focus in 2020 was gender-based violence (GBV). Internal communication campaigns on GBV received high levels of support from employees. Finally, we participated in the Bloomberg Gender Equality Index for the first time.

Refer to the our people section in the integrated report for more information.

OUR MATERIAL MATTERS continued

HEALTH, SAFETY AND WELLNESS

Why this matters

Our employees are the organisation's lifeblood. Exxaro is committed to protecting their health, safety and wellness. We strive to achieve zero harm through collective responsibility, commitment and risk awareness.

Our targeted health, safety and wellness strategies and programmes are in place to help us achieve this. Throughout the COVID-19 pandemic, we continuously leveraged and enhanced our existing health and wellness programmes to protect our employees, contractors and communities.

Material theme	Strategic objectives	Related risks	Related SDGs
Our people	• Ensuring the sustainability of our business • Delivering operational excellence • Human Rights practice	• COVID-19 concerns • Community unrest • Safety and health concerns	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Related capitals

Affected stakeholders

Employees, contractors, communities and unions

Key stakeholder engagements

- The people implications of COVID-19 stirred up a new reality for the human resources discipline, necessitating real-time co-creation of relevant guidelines across multidisciplinary working teams, with employee wellbeing at the forefront of our solutions thinking Communication during this period focused largely on COVID-19, addressing employee concerns about a potential loss of income, as well as initiatives such as return-to-work protocols, remote work support, a return-to-work survey, an anti-stigmatisation campaign, mental health and wellness, were leveraged to hinge culture messages. The process of aligning diversity and inclusion initiatives to culture also commenced
- COVID-19 placed new health and operational risks to Exxaro and its contractors. Exxaro conducted an impact assessment on suppliers impacted by COVID-19 lockdown regulations. Exxaro took a stance to compensate contractors who were not able to render a service during the lockdown in part or in full for actual proven costs
- The strategy for the sourcing of COVID-19-related personal protective equipment (PPE) sought to minimise supply risks for the business but also increase the participation of local small, medium and micro-enterprises (SMMES):
  - In order to minimise social contact we utilised Exxaro's new digital sourcing platform
  - To mitigate the supply risk among SMMEs, we placed qualifying SMMEs on early payment terms
  - Exxaro further provided nearly R80 million in loan and grant funding to SMMEs through 2020
- The COVID-19 pandemic has had grave implications for our communities, compounding unemployment and poverty. With lockdown regulations being eased, community groups demanded that BUs prioritise skills development, employment and business opportunities. Exxaro has developed a post-lockdown response plan to address the needs of the communities. The plan will be carried out in collaboration with social partners such as World Vision and local non-profit organisations (NPOs). Our stakeholder relationships provided a platform for an effective response to the COVID-19 challenge within our communities, it included extensive collaboration with local and provincial governments on numerous initiatives
- COVID-19 and its impact on employee safety, job security and continued employment conditions took centre stage with labour stakeholders during 2020. We continue to engage with unions at all levels to ensure they understand and have input into Exxaro's approach to COVID-19. We have also developed people management guidelines to address the concerns raised
- Exxaro continues to engage with the Department of Minerals and Energy (DMRE) through the Minerals Council of South Africa (Minerals Council), as well as provincial departments of health in a coordinated and collaborative response to the COVID-19 crisis

Refer to the our people section in the integrated report for more information.

CYBERSECURITY, TECHNOLOGY AND DIGITALISATION

Why this matters

Technology is rapidly changing and evolving, impacting organisations around the world though its unprecedented risks and opportunities. To navigate this, Exxaro's resilience and agility will be enabled by leveraging digital tools, as well as progressive methodologies and capabilities that enable us to enhance performance across the value chain.

We continue investing in technology and digitalisation, taking an enterprise-wide approach rather than a point solution. While the business advances its transformation, and relies increasingly on technology, we remain cognisant of managing the risks associated with technology and digitalisation as we strive to secure Exxaro's assets across all information security domains.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Business resilience	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital	• COVID-19 concerns • Cybersecurity risk	8 DECENT WORK AND ECONOMIC GROWTH

Related capitals

Affected stakeholders

Customers, suppliers, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

An industry leading cybersecurity assessment tool has been implemented that automatically measures and monitors all aspects of cybersecurity and provides an overall rating percentage (called a cybersecurity "posture"). This rating is benchmarked against peer companies and Exxaro has already achieved a higher rating than the industry norm which will be improved even further going forward.

Refer to the business resilience section in the integrated report for more information.

OUR MATERIAL MATTERS continued

SOCIAL UNREST

Why this matters

In our mining communities, our operations are the primary economic activity (other than Eskom) where there is limited economic diversification independent of mining. With few job opportunities elsewhere, due to low economic growth and high levels of unemployment, the local communities require employment and procurement opportunities (please see material matter below as well). Furthermore, there is increasing pressure on private organisations to provide services traditionally supplied by the state. These pressures can result in social unrest affecting our communities, employees and operations.

We believe that Exxaro is a tenant in our host communities. A successful relationship with communities is key to our business success and growth. In addition to our social and labour plans (SLPs), we invest in areas such as environmental conservation and health and welfare through our corporate social investment (CSI) programmes. Exxaro will continue addressing these issues of concern through current and future "impact at scale" initiatives to reach a long-term resolution on future opportunities to benefit communities.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Macro-environment **Social licence to operate**	• Ensuring the sustainability of our business • Optimising our portfolio • Delivering operational excellence • Prudently optimising capital • Human Rights practices	• COVID-19 concerns • Eskom systemic risk • Community unrest • Climate change concerns • Country risk (political)	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

Affected stakeholders

Government, communities, employees, contractors and unions

Key stakeholder engagements

- We are striving to increase the participation of black-owned suppliers and those from host communities. Exxaro has adopted source to pay and supply chain sustainability policies that support the increased participation of black-owned, black women-owned, youth and people with disabilities. Exxaro is fully compliant with the B-BBEE codes with regards to preferential procurement and is on track to achieve full compliance with respect to the Mining Charter III by 2021. In 2020, Exxaro awarded over R500 million in direct contracts to black-owned SMMEs
- Prevailing health conditions, low literacy and low skills levels within the community, are a barrier to community members accessing employment and procurement opportunities, which continues to drive community protests. The emergence of "splinter groups" within recognised community representative structures is a threat to constructive engagement and the effective implementation of social initiatives as it create inconsistencies in representation, unproductive engagement, occasionally violent community engagement events, individual agendas and non-compliance with engagement processes
- Local taxi associations are key stakeholders in Exxaro's business units (BUs) as they are relied upon for the transportation of staff members and contractors. However, there are challenges associated with local taxi associations as they expect and demand opportunities to transport employees and contractors while imposing exorbitant transportation rates which affect workers ability to travel to and from work
- Prevailing misalignment and tension between local government structures, community members and community representation exacerbated by service delivery challenges has introduced complexity in the local stakeholder landscape and challenges Exxaro's ability to implement SLP initiatives
- Exxaro's community benefit scheme was officially registered as "Exxaro Matla Setshabeng Development NPC" during 2020. The community investment vehicle also received circa R60 million in dividends from Exxaro. The community benefit scheme is pitched at the district level, aligning with the DMRE definition of community, to enable regional development and partnership with industry peers and the government through the district development model
- We are exploring a pilot project with the NBI and Municipal Infrastructure Support Agent (MISA), a project management unit of the Department of Cooperative Governance and Traditional Affairs (COGTA) to implement a municipal capacity-building programme
- Cooperation from Exxaro contractors is being pursued to address the concerns and expectations of communities and ensure local consideration in skills development, employment and subcontracting
- We have embarked on a process to enhance our Human Rights practice to ensure safe conduct of security personnel to avoid conflict during social unrest events/activities

Refer to the macro-environment and social licence to operate sections in the integrated report for more information.

SUPPORTING JOB AND BUSINESS CREATION

Why this matters

Given the high levels of unemployment and poverty in South Africa, particularly among the youth and women, Exxaro is committed to supporting job and business creation by investing in community upliftment and youth development. We focus on investments beyond mere CSI to create solutions that leave a legacy for our communities. We aim to empower, upskill and develop South Africans from a young age to ensure a sustainable future for generations to come.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Social licence to operate	• Ensuring the sustainability of our business • Delivering operational excellence • Become catalyst for economic development	• COVID-19 concerns • Eskom systemic risk • Community unrest • Cost competitiveness of products	8 DECENT WORK AND ECONOMIC GROWTH 4 QUALITY EDUCATION 5 GENDER EQUALITY 11 SUSTAINABLE CITIES AND COMMUNITIES

Related capitals

Affected stakeholders

Suppliers, government, communities, employees, contractors and unions

Key stakeholder engagements

- The focus of other government engagements in the second half of the year has been in support of Exxaro's minerals succession plan – focusing on building relationships with departments and agencies that might help Exxaro to improve its understanding of best practices on communal land usage and the organisation's role as an investor and supporter of South Africa's growth aspirations
- Engagement with community stakeholders typically revolves around demands for access to employment and procurement opportunities at Exxaro's operations, as well as skills development that enables access to employment or procurement opportunities. Since the launch of Exxaro's ESD programme in 2019, engagements have also taken place to promote access to ESD opportunities that in particular, lead to participation in the Exxaro value chain
- The gradual easing of COVID-19 lockdown regulations has seen most ESD beneficiaries return to normal operations. The ESD programme is achieving its objectives of both legislative compliance and social impact. Efforts with non-financial support programmes are gaining momentum and a progress report will be provided in the next reporting cycle
- A survey conducted at the beginning of the COVID-19 lockdown amongst the Exxaro ESD programme beneficiaries, revealed that, of the 20 beneficiaries responding to the survey, 55% indicated that their operations would be reduced, 35% would stop operations and 10% would remain unchanged. Eleven ESD programme beneficiaries were issued with force majeure letters by the various BUs and this had an impact on their cash flows. Consequently, the ESD programme gave priority to existing ESD beneficiaries for support through loan repayment holidays and information webinars. A total of 13 ESD beneficiaries successfully applied for loan repayment holidays of between three to six months, totalling R10.9 million
- The maintenance of healthy relationships with organised labour remains crucial for Exxaro and was particularly important within the context of COVID-19 in 2020. Our union engagements structures at BUs and employer level continue to function constructively in support of a stable employee relations climate. In addition to these normal engagements, a special session with the executive and national union leadership was held to provide an update on business context and seek their insights. We plan to hold similar sessions in future

Refer to the social licence to operate section in the integrated report for more information.

STRATEGIC PERFORMANCE DASHBOARD

Our key performance indicators (KPIs) are reflected in this strategic performance dashboard.

Exxaro's board and executive committee monitors the dashboard quarterly to ensure we remain within our sustainability risk appetite and realise our strategic objectives.

Our approach ensures that strategy management is integrated with:
- A sustainability framework
- An integrated risk management framework including clearly defined material matters
- KPIs aligned with material matters, risks and our sustainability framework (each measured against our board-approved tolerance level)
- Connected combined assurance, risks, material matters and KPIs

The most critical information is available for the board and executive committee to measure and manage Exxaro's strategy and performance. Our stakeholders also have a transparent and consolidated view of value creation and sustainability drivers.

The dashboard has built-in risk appetite thresholds to ensure appropriate strategic decisions.

HOW TO INTERPRET THE DASHBOARD

The dashboard links KPIs that are reported in terms of the six capitals and our material matters, reflecting our belief that sustainable value creation is enabled through carefully considering the relationship between the capitals we affect. Performance indicators (negative, positive, unchanged or new) show whether or not KPIs are within our risk appetite thresholds.

We aim to be on target. If we reach the "worst tolerable" threshold, we are not within our defined risk appetite. We must then implement controls or improve existing controls.

Example of KPI measure

One of our strategic objectives is to improve operational performance. A relevant KPI is core operating margin. If it is below best realistic, we have underperformed. When it is above target, we have wasted resources and may have overlooked opportunities.

KPI performance	Current performance	Indicator
Core operating margin	25%	

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Indicator					

HUMAN CAPITAL

KPI	2020 Target	2020 Actual	2020 Indicator	2019 Target	2019 Actual	2019 Indicator	Trend based on actual data
Safety							
Number of fatalities	**0**	**0**		0	0		
Lost-time injury frequency rate (LTIFR)	**0.11**	**0.05**		0.11	0.12		
Lost-time injuries (LTIs)	**21**	**9**		21	26		
Health							
Occupational health incident frequency rate (OHIFR) reported[1]	**0.31**	**0.19**		0.31	0.25		
People who received HIV/Aids awareness training	**Between 90% and 100%**	**84.1**		Between 90% and 100%	130		
Employees who received awareness training and voluntarily tested for HIV/Aids (%)	**68% and above**	**47.6**		68% and above	54		
HIV/Aids prevalence rate compared to country prevalence rate (%)	**0**	**8.8**		0	10.70		
Skills							
Skills provision (% of internal appointments for critical skills)[2]	**60**	**76.16**		60	47.90		
Retention of scarce skills (% turnover)	**5**	**3.6**		5	3.80		
Security							
Fraud and corruption/asset destruction (%)[3]	**0**	**0**		0	0		
Successful civil and criminal liability claims against Exxaro or other non-compliance penalties (% of revenue)	**Legal fines of R500 000 to R1m**	**0**		Legal fines of R500 000 to R1m	0		

[1] *Chronic obstructive airways disease (COAD), noise-induced hearing loss (NIHL), pneumoconiosis, silicosis and occupational tuberculosis (TB).*
[2] *Please note that the definition for skills provision was updated in 2020 from that used in prior years.*
[3] *PPE inventory, debtors and cash.*

Trend

- Deteriorated
- Improved
- Unchanged
- ★ New KPI this period

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

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- Improved
- Unchanged
- ★ New KPI this period

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Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Indicator					

STRATEGIC PERFORMANCE DASHBOARD continued

R51 million

Value created from earnings and development investments shared with employees

R3 034 million

Shareholders' return on investments as dividends

NATURAL CAPITAL

KPI	2020 Target	2020 Actual	2020 Indicator	2019 Target	2019 Actual	2019 Indicator	Trend based on actual data
Incidents							
Reportable environmental incidents (level 2 and level 3)	**6 level 2s 0 level 3s**	**0 level 2s 0 level 3s**		6 level 2s 0 level 3s	0 level 2s 0 level 3s		
Compliance							
Stoppage directives (includes section 54 in terms of MHSA)[1]	**0**	**3**		0	7		
Stoppage directives (includes directives in terms of NWA, +NEMA and MPRDA)[2]	**0**	**0**		0	0		
Valid authorisations in place (EA, IWUL, WML, AEL, EIA ROD, Reporting)							
Current operations (%)	**100**	**100**		100	100		
Projects (%)	**100**	**100**		100	100		
Compliance to valid licences/authorisations in place (EA, IWUL, WML, AEL, EIA ROD, Reporting)							
Current operations (%)	**100**	**96.47**		100	97		
Projects (%)	**100**	**99.33**		100	100		
Environmental liability provisions in place[4]							
Commercial operations (%)	**Between 80 and 100**	**69**		Between 80 and 100	68		
Captive operations (%)	**Between 60 and 100**	**116**		Between 60 and 100	51		
Environmental management							
Carbon Intensity scope 1 emissions ($ktCO_2e$)	**Actual for previous year less 5%**	**1.82**		Actual for previous year less 5%	7		
Carbon Intensity scope 2 emissions ($ktCO_2e$)	**Actual for previous year less 5%**	**3.06**		Actual for previous year less 5%	2		
Water intensity (kilolitres/run of mine (RoM))	**0.2kl/ tonne**	**0.137**		0.2kl/tonne	0.10		

[1] *Including section 54 of the Mine Health and Safety Act, 1996 (Act 29 of 1996), section 93 of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) (MRDPA) and directives in terms of the National Water Act, 1998 (Act 36 of 1998) and the National Environmental Management Act, 1998 (Act 107 of 1998) (NEMA).*
[2] *Mine works plan and SLP.*
[3] *Environmental authorisation, integrated water use licence (IWUL), atmospheric emissions licence, environmental impact assessment and record of decision.*
[4] *Gap between immediate closure cost and rehabilitation funds available excluding guarantees.*

Trend

- Deteriorated
- Improved
- Unchanged
- ★ New KPI this period

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Indicator					

R50 million

Suppliers and contractors supported by procurement of consumables, services and capital goods

R1 947 million

Governments where we operate and invest receive taxes and royalty payments

SOCIAL AND RELATIONSHIP CAPITAL

KPI	2020 Target	2020 Actual	2020 Indicator	2019 Target	2019 Actual	2019 Indicator	Trend based on actual data
Employment equity							
Black ownership at group level[1] (%)	**30.1**	**38.22**		30	30		
People living with disabilities[1]	**1.5**	**1.44**		1.5	1.34		
Human resource development[1] spend for designated group (as a percentage (%) of skills levy tax-based payroll excluding levies, including internal and external training) Mining Charter III	**5**	**4.92**		5	5.27		
Employment equity in top management bands[2] (%)	**50**	**66.67**		50	66.67		
Employment equity in senior management bands[2] (%)	**60**	**57.95**		60	45.83		
Employment equity in middle management bands[2] (%)	**60**	**74.49**		60	56		
Employment equity in junior management bands[2] (%)	**70**	**78.15**		70	68.44		
Women in top management bands[2] (%)	**20**	**33.33**		20	33.33		
Women in senior management bands (%)	**25**	**19.32**		25	9.38		
Women in middle management bands (%)	**25**	**36.16**		25	20.46		
Women in junior management bands (%)	**30**	**26.12**		30	18.27		
Business sustainability							
B-BBEE	**Level 1**	**Level 2**		Level 1	Level 2		
Enterprise development (% of NPAT)	**1**	**0.45**		1	0.80		
Supplier development (% of NPAT)	**2**	**0.86**		2	1.03		
Socio-economic development (% of NPAT)	**1**	**1.35[4]**		1	1.23		
Skills development expenditure on learning programmes specified in the learning programme matrix for black people with disabilities (as a percentage of leviable amount)	**0.03**	**0.0048[4]**		0.03	3.92		
SLPs							
Project delivery measure – local economic development projects per SLP time variance from plan[1] (%)	**0**	**(11)**		0	11		
Cost variance from plan (%)	**0**	**59**		0	58		

[1] *Mining Charter III.*
[2] *Five-year plan (2022).*
[3] *B-BBEE codes.*
[4] *Unaudited figure.*

STRATEGIC PERFORMANCE DASHBOARD continued

25% ROCE

Providers of finance receive a return on investment

R79.8 million

24 enterprises awarded loans and grant funding

MANUFACTURED AND INTELLECTUAL CAPITAL

KPI	2020 Target	2020 Actual	2020 Indicator	2019 Target	2019 Actual	2019 Indicator	Trend based on actual data
Capital project delivery measure							
Capital projects time overrun	**0**	**11.1**		0	5		
Capital projects cost overrun	**0**	**6.3**		0	3.10		
Operational performance							
System availability (Core P1 and ERP Solutions)	**97**	**98**		97	99.75		
Digitalisation programmes (cost overrun)	**0**	**0**		0	(6.00)		
Digitalisation programmes (time overrun)	**0**	**9**		0	(6.00)		

R3.2 billion

Reinvestments in coal business growth: R2.2 billion sustaining capital and R1 billion expansion capital

FINANCIAL CAPITAL

KPI	2020 Target	2020 Actual	2020 Indicator	2019 Target	2019 Actual	2019 Indicator	Trend based on actual data
Core operating margin (%)	**20**	**17**		20	15.24		
Core ROCE (%)	**>20**	**27**		20	27.51		

Trend

- Deteriorated
- Improved
- Unchanged
- ★ New KPI this period

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Indicator					

MEASURING OUR PERFORMANCE

ESG performance criteria are a set of standards for a company's operations that a growing number of "conscious investors" use to screen potential investments.

We benchmark our ESG progress against our industry subsector peers who exemplify global best practice.

ESG PERFORMANCE RATINGS

Our ESG performance score is based on publicly disclosed information (annual reports, websites and various media) evaluated by some of the top ratings agencies globally as part of the JSE Listings Requirements. Investors are thus informed to make responsible investment decisions.

Our 2020 ratings by FTSE Russell, Vigeo Eiris, Sustainalytics and the assessment of Transition Pathway Initiative (TPI) are described below.

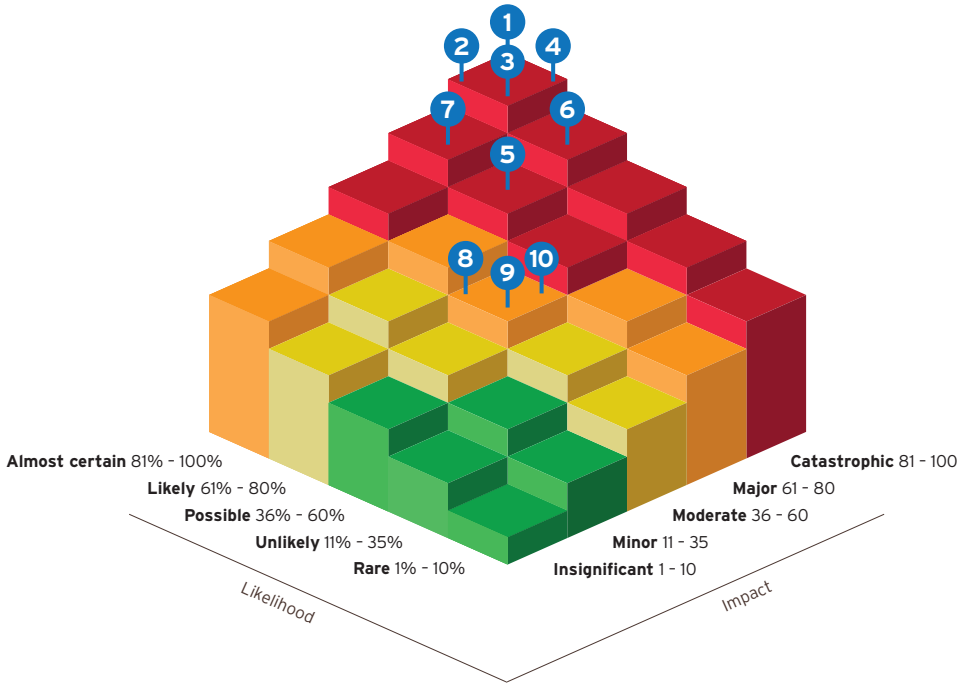
FTSE Russell ESG Index

The FTSE Russell ESG Index series measures a company's management of ESG risks and impacts with a maximum score of five points. Each company is compared with global peers in terms of 14 themes (10 listed below apply to Exxaro). Our exposure is also measured with materiality within our mining context in mind – and rated on a four-point scale (below).

Our ESG report discloses performance against the following most relevant themes:

Environment	Social	Governance
Pollution and resources	Labour standards	Risk management
Climate change	Health and safety	Corporate governance
Water use	Human rights and community	Anti-corruption
Biodiversity		

Themes applicable to Exxaro



1. Risk management (governance)
2. Labour standards (social)
3. Water security (environmental)
4. Human rights and community (social)
5. Pollution and resources (environmental)
6. Health and safety (social)
7. Climate change (environmental)
8. Corporate governance (governance)
9. Anti-corruption (governance)
10. Biodiversity (environmental)

EXPOSURE

- 3 HIGH
- 2 MEDIUM
- 1 LOW
- 0 NEGLIGIBLE OR N/A

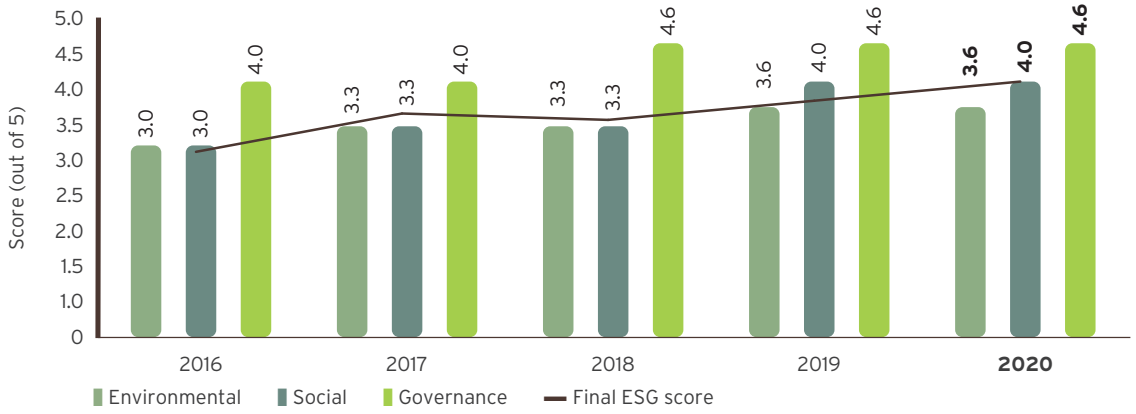
MEASURING OUR PERFORMANCE continued

Given Exxaro's business operations, our risk exposure is classified as medium to high. The FTSE Russell ESG Index rating confirms our success in efficiently and strategically responding to this exposure.

Our performance

Over the past five years, Exxaro's FTSE Russell ESG Index score has improved steadily, moving into the top quartile of global performers in the basic resources supersector. Exxaro is currently in the top 22% of ESG performers. The steady improvement in the final ESG rating since 2016 is depicted below.

FTSE Russell ESG Index - Exxaro's historical performance



We consistently perform well in all ESG pillars, particularly governance. The score of four out of five equates to 80% adherence to required measures of the index. The 20% shortfall is attributable to disclosure related to elements in the environmental and social categories. These are being addressed. Measured against global coal mining participants, Exxaro demonstrates superior ESG performance shown below.

	Year-end 2020	
	Exxaro	Global coal subsector
FTSE Russell ESG score	4.0	1.6
Environment	3.6	1.2
Social	4.0	1.3
Governance	4.6	2.5

Source: FTSE Russell Corporate Performance Results.

Vigeo Eiris

Exxaro features in the latest Vigeo Eiris ranking of the 100 best emerging market performers for our approach and ongoing dedication to social responsibility. The Vigeo Eiris ranking is updated every six months, in June and December, and the top 100 performers are selected from over 850 companies in 32 sectors of 31 countries.

Companies included in this index achieve the highest scores in a review of various indicators assessed using the Vigeo Eiris methodology. The indicators reflect a company's performance in human rights, human resources, community involvement, business behaviour and corporate governance.

To avoid exclusion from this index, companies must achieve a consistently high performance and provide evidence of corrective measures or stakeholder engagement in mitigation of critical issues.

TPI

Exxaro received a TPI ranking of 4/4 in 2020. This score reflects the company's commitment to managing GHG emissions and indicates to stakeholders and investors that Exxaro is in an excellent position to benefit from opportunities presented by the low-carbon transition.

Started in 2017, the TPI is an international initiative that aims to assess companies' transitions to a low-carbon economy. A TPI ranking shows how a company's expected future carbon emissions compare to local or international targets that are part of the Paris Agreement. It's now being used as a benchmark to determine how committed organisations are to corporate climate action. A high TPI ranking means that a business has demonstrated that it is actively trying to mitigate climate change at a strategic level.

Sustainalytics

The Sustainalytics ESG risk rating measures a company's exposure to industry-specific material risks (including company-specific factors such as the business model) and how well the company is managing those risks. Exxaro's exposure risk was rated medium while management of ESG material risk was rated strong, demonstrating the robustness of our ESG programmes, practices and policies.

We continue assessing the feedback we receive from several other rating agencies to identify common assessment areas and opportunities for improvement.

LOOKING AHEAD

We have noted the need to become better stewards of our resources, to minimise our impact on our environment and to be a socially responsible organisation. We seek to maximise our positive impact on society with investors' search for a socially responsible mining company in mind. We are aware of global sentiment towards fossil fuels and the need to make a just transition to cleaner energy while maintaining the highest possible ESG performance.

OUR COMMITMENT IN ACTION

Award	Details	Capitals related
Top Employer	South African winner, awarded 25 January 2021	
Exxaro ranked 3rd in the Transparency and Corporate Reporting: South Africa 2020 (TRAC SA 2020) report	100 South African companies under scrutiny for the transparency and implementation of anti-corruption programme	
GradStar Students' Choice Awards of 2020	Second most sought-after mining company to work for in the Mining and Metals category by thousands of tertiary students	
WELL certification	Our new head office, the conneXXion, in Centurion, received a silver level WELL certification for Core and Shell by the International WELL Building Institute	
Sunday Times Top 100	Exxaro ranked 13th in the *Sunday Times* Top 100 Companies in South Africa – 23 places higher than in 2019. To qualify for the 2020 list, all JSE-listed companies had to hold at least R5bn market capitalisation between 1 September 2015 and 31 August 2020. Winners then ranked according to the highest returns to shareholders over five years, based on a theoretical investment of R10 000.	
Vigeo Eiris best 100 emerging markets ESG ranking	Exxaro has featured in the latest Vigeo Eiris ranking of the best emerging market performers. The ranking comprises the 100 best performing companies listed in emerging markets, in terms of their approach and ongoing dedication to social responsibility	
TPI score	4/4 – an excellent indicator of Exxaro's management of our GHG emissions and risks and opportunities related to the low-carbon transition	
Bloomberg 2021 Gender Equity Index (GEI) participation	The Bloomberg GEI tracks the performance of public companies committed to disclosing their efforts to supporting gender equality through policy development, representation, and transparency.	

Environmental monitoring at Matla



STAKEHOLDER MANAGEMENT

In support of Exxaro's purpose of *powering better lives in Africa and beyond*, we continue to work towards improving the quality of our relationships with stakeholders. We aim to build long-term, stable and trusting relationships that facilitate business activities and create shared value for all our stakeholders.

EXXARO'S STAKEHOLDER UNIVERSE

We take a holistic approach to stakeholder engagement, believing that we are a participant in an interconnected network. As such, we view stakeholders in terms of our stakeholder universe framework, which includes stakeholders who have a material influence or have a high potential of forming part of a network of influence on the execution of the stakeholder excellence agenda. These stakeholders can be grouped into four main clusters including government (regulators), communities, value chain participants and the business community.



Exxaro's approach to stakeholder management

Exxaro utilises a key account management (KAM) approach* to stakeholder management. Our management process has foundations in the global best practice AccountAbility 1000 Stakeholder Engagement Standard. We are committed to enhancing our relationships with our stakeholders by engaging transparently and addressing their legitimate concerns. Our objective is to enable a responsive and proactive method of managing stakeholder relationships and stakeholder-driven risks and opportunities in an increasingly dynamic and uncertain operating environment.

Given our decentralised operating structure, the interaction and cooperation between head office and operations has been focused on developing and implementing BU stakeholder management capabilities in accordance with the KAM approach and on the use of technology systems to support engagement activities. Developments in this regard are encouraging.

The board approved a new stakeholder management policy in 2020. The new policy aims to promote and embed the implementation of our stakeholder management practice, and application of the guidelines in Exxaro, supporting the achievement of the company's strategic objectives.

Looking ahead, the primary focus will be on ensuring an enterprise-wide application of the KAM approach and monitoring the culturalisation of stakeholder management. This is to ensure we mature from reactive engagement to our intentional, proactive management of stakeholder-related risks and opportunities.

** Described in IR 2019.*

SUMMARY OF KEY STAKEHOLDER RELATIONSHIPS

We are committed to enhancing our relationships with our stakeholders by engaging transparently and addressing their legitimate concerns.

During 2020, almost all engagements were virtual through online platforms and in some instances hybrid, combining virtual with limited numbers of people during person-to-person meetings to ensure strict adherence to COVID-19 protocols.

The rating scale below reflects a combination of external assessments (the last conducted in 2018), as well as internal self-assessments to reflect the quality of our relationships with stakeholders.

Stakeholder rating scale

0 No existing relationship, or the relationship that does exist has deep challenges and problems
1 An established relationship exists, but can be improved
2 A good, quality relationship exists with the opportunity to improve further
3 A very strong relationship exists, based on mutual trust and respect

GOVERNMENT

Material themes



Group risks

- Regulatory compliance
- Country risk

Why we engage

Government and regulatory authorities are a critical stakeholder group. We operate in a highly regulated industry and strive to go beyond compliance, building a partnership to ensure mutual success. Through transparent engagement, we look to identify areas of collaboration, share insights on policy and other plans and ensure Exxaro is working with government to be a catalyst for economic growth and development.

How we engage

- One-on-one engagements
- Dialogue platforms

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: 2018 reputation survey and self-assessment

- A pilot relationship quality assessment is underway, aiming to quantify the quality of key relationships in the DMRE as well as the governments of our key host provinces, Limpopo and Mpumalanga

Hot topics

- Exxaro's response to COVID-19 and economic recovery
- Just (energy) transition and Exxaro's strategic outlook
- Social impact issues, including the economic and financial inclusion of women in South Africa's economy, Exxaro's contribution to the end of gender discrimination and GBV, Exxaro's community benefit scheme, local community concerns, Exxaro's land and agriculture projects in Limpopo, Mpumalanga and the Eastern Cape, and the best practice use of communal land

How we responded

- Exxaro is well positioned with the majority of operating licences (mining, environmental and financial) in place
- Government engagements in 2020 were primarily about addressing challenges and solutions that prevent the spread of COVID-19 Exxaro's areas of intervention included water-related infrastructure through our SLPs, provision of accessories to school-going children and food parcels to needy communities. Exxaro continues to engage with the DMRE through the Minerals Council as well as provincial departments of health in a coordinated and collaborative response to the COVID-19 crisis
- Engagement at local government levels in each location is improving as a result of the close relationships built through COVID-19 response activities and our participation in regional collaboration platforms such as The Impact Catalyst and the Emalahleni Joint Forum
- Other government engagements in the second half of the year focused on supporting Exxaro's minerals succession plan and building relationships with departments and agencies that might help Exxaro improve its understanding of best practices in communal land use and the organisation's role as an investor and supporter of South Africa's growth aspirations
- Exxaro also met with the chairpersons of the portfolio committees on Mineral Resources and Energy and Environment, Forestry and Fisheries as well as the Municipal Infrastructure Support Agency, and several government and political leaders regarding the state of the nation and provinces where we operate

Value delivered to this stakeholder group in 2020

- Response to COVID-19 and support offered to host communities: Total of R195.5 million spent in various initiatives
- Exxaro's commitment to South Africa's socio-economic development: Completing R17 billion local capex programme and investing in renewable energy through R1.5 billion purchase of 50% of Cennergi
- Taxes and royalties paid

STAKEHOLDER MANAGEMENT continued

EMPLOYEES

Material theme



Group risks

- Social licence to operate
- Labour unrest
- COVID-19

Why we engage

Employees are the strategy execution engine for Exxaro. It is therefore essential that the focus, profile and development efforts of Exxaro's employee base are aligned with its strategy.

How we engage

- Annual chief executive officer (CEO) roadshow – town hall meetings with employees at BUs
- Employees are engaged through daily "toolbox" talks and monthly/quarterly mass communication with the BU leadership team
- BUs use digital engagement through information screens, emails, bulk SMS and specific communication campaigns
- Digital platforms such as the LetsConnect app have enhanced our ability to engage with the workforce

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: 2018 reputation survey, 2020 employee engagement and culture assessment and self-assessment

- In 2018, the employee trust index score was a healthy B+
- A stakeholder engagement index score of C highlighted the need for improved engagement. In the past year, employee concerns about the visibility of Exxaro's initiatives and success stories were addressed through the LetsConnect digital platform as well as a greatly enhanced social media campaign promoting Exxaro's socio-economic activities

Hot topics

- COVID-19 and preventing the spread of the virus.
- Divestment of ECC and Leeuwpan
- Diversity and Inclusion
- Fullco agreements (continuous operation with limited to no interruptions (public holidays bought out in a collective agreement)
- Exxaro's strategy and outlook for coal

How we responded

- The people implications of COVID-19 stirred up a new reality for the human resources discipline, necessitating real-time co-creation of relevant guidelines across multidisciplinary working teams with employee wellbeing at the forefront of our solutions thinking
- Communication during this period focused largely on COVID-19, addressing employee concerns with information on COVID-19 infection and management, potential loss of income, return-to-work protocols and survey, remote work support, a destigmatisation campaign, mental health and wellness leveraged culture messages. The process of aligning diversity and inclusion initiatives with culture also started
- At Leeuwpan and ECC, we continued to update employees on the progress of the divestment process and to address their concerns about the change of ownership
- At Grootegeluk, engagement with employees in 2020 revolved largely around the Fullco agreement and a dispute about standby issues
- Other communication initiatives focused on Exxaro's updated diversity and inclusion strategy, women in mining, Exxaro's ESD initiatives as well as the campaign against GBV
- The board, exco and senior leaders sacrificed 2020 annual fee and salary increases

Value delivered to this stakeholder group in 2020

- Training and development investment of R227 million
- Strengthened diversity and inclusion throughout our operations

For more information, refer to our people section on page 66.

LABOUR UNIONS

Material themes



Group risk

- Labour unrest
- COVID-19

Why we engage

Labour unions represent our employees through recognised bargaining units and, as such, form an important part of our stakeholder universe. Proactive engagement is an important part of risk management and maintaining workplace harmony.

How we engage

- Unions are engaged in formal structures at BU and employer levels in terms of the bargaining agreements. Recognition agreements govern the frequency, engagement level and spirit of engagement between unions and the employer, and they are key to maintaining workplace harmony and guiding conduct amongst union and employer stakeholders. We continue to focus on keeping engagement structures with organised labour functional to ensure a healthy relationship. These engagement structures played a significant role in dealing with employee issues ahead of the wage negotiation processes across the business in 2020
- Exxaro has a pluralist approach to union recognition but we only formally engage with unions (for example, around wage negotiations) when formal recognition agreements are concluded. Exxaro has adopted a higher threshold for union representation as a platform for wider representation of union groups. This has significantly improved communication between Exxaro and unions, and has created an opportunity for human resources to further strengthen strategic partnerships, and cocreate solutions with unions, aimed at addressing critical strategic issues
- The National Union of Mineworkers (NUM) continues to be the majority trade union across the Exxaro group, however, we also have recognition agreements in place with National Union of Metalworkers of South Africa (NUMSA). The union formerly known as the United Association of South Africa, now UASA, the Association of Mineworkers and Construction Union (AMCU) and the Food and Allied Workers' Union (FAWU)
- Future forums

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: Internal self-assessment

Hot topics

- Wage talks
- COVID-19 and employee wellbeing
- Recognition thresholds
- State of the business

How we responded

- Maintenance of healthy relationships with organised labour is crucial, particularly within the context of COVID-19 and the need to cocreate sustainable solutions for the business at this moment. Union engagement structures at BUs and employer level function constructively in maintaining our stable employee relations climate. In addition to these engagements, two sessions with the executive committee and national union leadership were held to provide an update on business context and performance and obtain the insights of the union leadership
- NUM raised a concern about the Leeuwpan divestment process. After constructive engagement, which included NUM's national leadership, the matter was resolved, maintaining the integrity of the divestment process
- COVID-19 and its impact on employee safety, job security and employment conditions were also centre stage. We continue to engage with unions at all levels to ensure they understand and provide input on Exxaro's approach and response to COVID-19
- Interunion rivalry is due to recognition thresholds in current agreements. We continue to manage union relationships in line with current recognition agreements. We are willing to engage with any union about their recognition if this does not negatively impact our relationships
- Expressed the desire to partner with business leaders in community engagement initiatives

Value delivered to this stakeholder group in 2020

- Ongoing development of mutually respectful relationships to better serve our employees and create shared value
- No retrenchments of employees as a result of COVID-19 impacts

For more information, refer to our people section on page 66.

STAKEHOLDER MANAGEMENT continued

COMMUNITIES

Material theme



Group risk

- Community unrest
- social licence to operate

Why we engage

Exxaro operates in eight local municipalities of South Africa and two provinces (Mpumalanga and Limpopo) with closed mines in another three municipalities, (two in KwaZulu-Natal). Stakeholder-related risks and issues among this group of stakeholders relate primarily to Exxaro's material issues of social unrest and maintaining our social licence to operate. Through our ongoing engagements, we strive to ensure that community unrest does not lead to production delays and stoppages, injury to employees and community members, that issues are resolved proactively before they escalate to community unrest, that Exxaro's success stories on community development are shared widely, that we create local job opportunities and that we deliver community development initiatives, shared value and benefit from mining activities.

Cennergi operates in two local municipalities in the Eastern Cape province (Raymond Mhlaba and Koukamma). Community engagements are primarily around activities aimed at improving the wellbeing and living conditions of host communities.

How we engage

Engagement platforms addressing community issues internally and externally. Internally, the future forum monitors implementation of SLPs. Externally, forums with municipalities and traditional authorities address socio-economic conditions at local, district and provincial level for greater impact.

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: 2018 reputation survey, self-assessment and business perception assessment conducted by social facilitators at Belfast and Matla

- 90% of surveyed businesses in Emakhazeni believe that Exxaro is having a positive impact on businesses operating in the municipality; though there were also perceptions that available procurement opportunities were monopolised by a limited number of "connected" local companies
- Just over half of surveyed businesses reported that economic activity had increased in the municipality since Exxaro started its operations; 46% reported that the level of economic activity remained the same
- 78% of businesses reported that their revenues had "stayed roughly the same" since Exxaro started operating in the municipality; only 20% reported an increase in revenues

Hot topics

- Employment and procurement opportunities at Exxaro as well as skills development that enables access to employment or procurement opportunities continue to be key concerns of our community stakeholders, given that the COVID-19 pandemic has only compounded unemployment and poverty: In Limpopo, the GG6 project and in Mpumalanga the Matla mine projects are opportunities for employments and procurement for local community members that are being harnessed
- Community representation
- Taxi association expectations for employee transport business opportunities

How we responded

- When lockdown regulations eased, community groups demanded that the BUs prioritise skills development, employment and business opportunities. We continue to pursue local consideration in skills development, employment and subcontracting however effective responses are complicated by low literacy and skills levels and often individual health issues, resulting in failure of entrance tests
- Our investment in providing free community wifi to the Siyathuthuka township in Belfast, Mpumalanga, ensured the seamless flow of information about the pandemic. The community wifi project will be extended to our other locations
- Engagement on these and other issues is also challenged by inconsistent community representation, unproductive engagement and participation in community forums, violent community engagement events, community demands led by individual agendas and community representatives unwilling to adhere to sound governance processes. Misalignment and tension between factions within local government and between local government structures and community members exacerbating service delivery challenges, introduces further complexity to the local stakeholder landscape and additional challenges for the implementation of socio-economic development initiatives
- Local taxi associations are key stakeholders in Exxaro's BUs as employees and contractors rely on them for transport. However, exorbitant rates are a challenge and an issue that is being addressed at several BUs
- Working with stakeholders such as government, the Minerals Council, World Vision and other social partners, Exxaro developed a post-lockdown response plan to address the needs of communities. Our past efforts at community engagement and development provided a platform for an effective response to the COVID-19 challenge within our host communities
- Engagements led by the NBI and its technical assistance, mentorship and development programme as well as the COFTA on the Lephalale municipal capacity-building programme were not successful, however we were able to align support for the district development model with the Waterberg municipality as custodian.
- We are exploring a pilot project with the MISA for assistance with the delivery of our SLP projects in a more targeted manner
- Exxaro's ESD programme is achieving its objectives of legislative compliance, supplier diversity and social impact. During South Africa's first COVID-19 lockdown, our ESD team engaged early and frequently with beneficiaries to ensure they survived the crisis. We surveyed our ESD programme beneficiaries at the beginning of lockdown and found that 55% would incur operational reductions, 35% would stop operations and 10% would remain unchanged. Consequently, Exxaro prioritised existing ESD beneficiaries for support through interest-free loan repayment holidays and information webinars. We are also developing non-financial support programmes for our ESD beneficiaries, including a technical mentorship programme for first-time contractors in core mining services and a financial excellence programme.
- In a new initiative aimed at supporting government's district development model, Exxaro has completed registration of a non-profit company (NPC) known as the Matla Setshabeng community benefit scheme. It will enable regional development and partnerships with industry peers and government. The NPC has received a total of about R60 million in dividends from Exxaro. We have shared details of the scheme with key stakeholders, including the Mpumalanga and Limpopo provincial governments, the Minerals Council, the Limpopo Impact Catalyst, and the DMRE with positive outcomes
- We regret the loss of life of a community member, during a community unrest incident in Limpopo
- In 2016, Cennergi established the Amakhala Emoyeni Community Fund Trust (AECFT) and Tsitsikamma Wind Farm Trust (TWFT) to manage socio-economic and ESD donations and investments. Focus areas are education and skills development, enterprise development, infrastructure development and housing and health. Engagements and project activities across all these focus areas in both municipalities continued throughout 2020.

Value delivered to this stakeholder group in 2020

Refer to the communities section on page 78 for more information.

STAKEHOLDER MANAGEMENT continued

INVESTORS

Material themes



Group risk

- Access to capital

Why we engage

Our investors are the owners of our business and capital, and have expectations regarding the value creation for their investments. Through clear communication of our strategy and benefit distribution policies, we can align with their expectations and grow their trust in our organisation, which strengthens our access to capital.

How we engage

- SENS announcements
- Interim and annual results announcements
- Post-results roadshows
- Non-deal roadshows
- One-on-one meetings
- Enquiries
- Investor conferences
- Online meetings

Engagement strategy

Through our investor relations function, we create an annual engagement strategy that guides our work and enables regular updates and engagements to keep current and potential investors informed. Further, regular enquiries from investors and sell-side analysts are received in relation to financial modelling and thematic research which we respond to.

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: Internal assessment informed by various external surveys

- The results of the annual investor/analyst perception survey conducted in May 2020 showed minor changes compared with 2019 and remained positive. There was a higher level of qualitative feedback in the third report, revealing insights and making constructive suggestions
- Overall, Exxaro management is still perceived as delivering well in its operational commitments. However, there was a decline in the score around questions on the clarity of the overall acquisition/disposal strategy and the diversification strategy which we began to address at the delivery of the FYE2020 results in March 2021. Additional and detailed communication will be provided at a capital markets day in the early part of Q4 2021. Disclosure perceptions increased slightly with the perception that Exxaro has the technical and leadership skills required to achieve its objectives, with capital allocation and our approach to it perceived positively

Hot topics

- The coal business's performance, the shift to energy rationale, portfolio optimisation, capital allocation and impact on dividend policy as well as enquiries into the energy strategy were topics of interest among investor stakeholders this year. An emerging area of interest is shareholder climate change activism
- However, the impact of COVID-19 on the business was top of mind for investors with a particular interest in management actions taken during the crisis to cope with and contain the virus, balance sheet implications, operational impacts and employee and community safety and livelihoods
- Investors are also concerned about Exxaro's exposure to Eskom and the risks posed for Exxaro around electricity supply, integrity of contracts, and the utility's structure break-up

How we responded

Throughout the year, we ensured clear engagement and communication about our efforts to limit the impact of COVID-19 on our business and stakeholders while sharing information about Eskom local markets, portfolio optimisation and our strategic journey whenever possible.

Value delivered to this stakeholder group in 2020

- Shareholder returns – higher payout ratio
- Sunday Times award – Top 100 company (13th)
- Leading ESG performance – safe production: record LTIFR at 0.05 and four years fatality-free

For more information, refer to our performance in the integrated report.

CUSTOMERS

Material themes



Group risk

- Key customer dependency
- Eskom systemic risk

Why we engage

We aim to foster customer understanding and strategic partnerships through continuous engagement and information sharing, and actively listening to our customers to foster mutually beneficial relationships. Engagements are aimed at understanding the environment, trends and market sentiment; exploring future relationships; and improving operational and financial performance.

How we engage

- We engage regularly via telephone, email and virtual meetings, whenever possible, and at different levels in respective customer organisations
- In January 2020, we launched a transactional marketing and logistics portal aimed primarily at managing coal orders and transporters and facilitating coal auctions

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: Internal assessment informed by various key data measured

- Effective and ongoing engagement with customers
- Effectively dealing with and resolving complaints

Hot topics

- Reduced production volumes impacting supply to the market
- Inability to consistently provide product at the correct specification
- Disruptions in demand
- Credit risk/poor payment – some customers were adversely affected by the COVID-19 pandemic and requested more lenient payment terms in the short term
- Force majeure from Eskom in relation to coal supply and renewable energy supply from Cennergi

How we responded

- With the onset of the COVID-19 pandemic, our markets were materially impacted. We experienced low demand as many consumers were unable to operate
- In addition, our key customer, Eskom, declared force majeure, in relation to the supply of coal to Matimba and Medupi power stations, indicating that demand would be lower. In addition, a force majeure was also declared for the offtake of renewable energy from Cennergi. Exxaro contested these declarations and we continue to engage with Eskom on the issue
- We also continue to engage regularly with ArcelorMittal South Africa around its purchases of metallurgical coal and liquidity issues
- We engaged individually with various customers requesting extended payment terms as a result of losses incurred from the COVID-19 pandemic. As producers returned to full production, we saw a marked increase in demand
- We kept in close contact with our key customers and we were able to respond promptly as their coal demands increased

Value delivered to this stakeholder group in 2020

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

For more information, please refer to our performance in the integrated report.

For more information about how we are responding to community needs, please refer to the COVID-19 response (page 39), social and climate change (page 46).

STAKEHOLDER MANAGEMENT continued

SUPPLIERS

Material themes



Group risk

- COVID-19 concerns
- Eskom systemic risk
- Community unrest
- Safety and health concerns
- Cost competitiveness of products
- Climate change concerns
- Country risk (political)
- Inability to achieve financial targets
- Low commodity price

Why we engage

Our suppliers are a critical part of our value chain. Managing these relationships to create mutual benefit supports our operational, strategic and impact goals, and forms part of our risk management approach. The supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities. Supply chain management achieves this through supplier collaboration initiatives intended to deliver cost savings, achieve sustainability mandates, ensure security of supply and mitigate business risk exposure. The supplier relationship management approach positions Exxaro at an advantage to extract discretionary value and emerge as a "customer of choice" for selected strategic suppliers.

How we engage

- Direct, proactive engagement with strategic suppliers as part of our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities through collaboration intended to deliver cost savings, achieve the sustainability mandate, ensure security of supply and mitigate business risk exposure so that Exxaro is at an advantage to extract discretionary value and emerge as a "customer of choice"
- Engagement methods include ad hoc contract reviews to assess performance and negotiate price, our quarterly contractor forum platform to share information on developments in Exxaro as well as safety, health and environmental issues and finally a biannual Supplier Day to recognise top performers

Quality of relationship and measurement instrument

Quality of the relationship: 2/3
Basis of rating: 2018 reputation survey, various external survey and self-assessment.

- Last reputation assessment was conducted in 2018

Hot topics

- COVID-19 was the main concern for suppliers in 2020
- In 2020, the supply of magnetite, fuel and PPE constituted our top supply risks
- Fraud and corruption and maintaining our social licence to operate remain key procurement issues for Exxaro

How we responded

- Exxaro conducted an assessment of its suppliers impacted by COVID-19 lockdown regulations, and compensated contractors who were not able to render a service during the initial lockdown, in part or in full, for proven incurred costs
- The strategy for sourcing COVID-19 PPE sought to minimise supply risks for the business and increase participation of local SMMEs
- We leveraged our supplier development and placed all qualifying SMMEs on early payment terms and provided loans and grant funding
- The procurement of magnetite was coordinated through group strategic sourcing with international suppliers identified and sufficient shipments imported to build up stock levels. New agreements with local suppliers were established with increased offtake commitments. The domestic and internal agreements are enough to cover medium-term COVID-19 scenarios
- Procurement fraud and the proliferation of procurement scams present a risk to Exxaro and its suppliers. Adoption of best-in-class business process and technology enabled us to respond to financial and fraud risks. Initiatives included new source-to-pay and accounts payable policies, establishing new guidelines and working practices to address inherent and emerging risks in the supply chain; a supplier code of conduct to articulate our commitment to the prevention of corrupt practice, anti-bribery and anti-corruption laws and the prevention of human rights abuse. All suppliers are required to commit to this code of conduct as a condition of tender
- Exxaro is committed to maximising positive social, economic and environmental outcomes. In the supply chain space, this is demonstrated in our commitment to increasing the participation of black-owned suppliers in host communities, to reducing the environmental impact of our business and to enhancing our reputation while upholding sound corporate governance. Exxaro is fully compliant with the preferential procurement requirements of the dtic's B-BBEE codes and the Mining Charter III. Exxaro is fully compliant with the B-BBEE codes with regard to preferential procurement and is on track to achieve full compliance with respect to the Mining Charter III by 2021

Value delivered to this stakeholder group in 2020

- Exxaro continues to set aside designated procurement opportunities for exclusive participation in black-owned community SMMEs (in 2020, Exxaro awarded over R500 million in direct contracts to black-owned SMMEs and over R490 million in indirect procurement has been subcontracted to SMMEs in host communities over the next two years)

EXXARO'S COVID-19 RESPONSE

Stakeholders	Engagement strategies	Objectives	Outcomes
Employees and contractors **Labour unions** **Communities** **NGOs**	• Screened and tested people • Donations to communities • Supplied PPE to healthcare facilities (thermal scanners, surgical gloves, masks and sanitisers worth R525 650) • Created awareness and provided education through our *Fact vs Fiction* magazine • Implemented protocols such as sanitising, social distancing, wearing face masks, hand washing and sanitising • Adopted remote working for corporate and other office-based employees with suitable technologies • Partnered with World Vision, industry peers and Department of Education • Managing infected employees as per government protocols	Minimise the spread of COVID-19, maintain productivity and meet community needs with improved water and sanitation infrastructure, food parcels and PPE • Manage risks associated with infections	Two COVID-19 laboratories at Grootegeluk (Limpopo) and Matla (Mpumalanga) tested over 2 500 employees since 17 August 2020 and await certification to test community members
Communities **Government** **Investors and analyst**	• Collaborated with national, provincial and local government in mass screening and testing • Provided uninterrupted coal supply to Eskom • Pledged R6.9 million to Mpumalanga and Limpopo • Donated R20 million to Solidarity Fund • Worked with Minerals Council • Announced business continuity and crisis management plans during the lockdown period via the JSE Stock Exchange News Service • Cennergi made donations of food parcels, PPE and other hygiene equipment and materials to the value of R528 654.	• Coal operations provide an essential service: electricity • Appropriate statement about actions taken to ensure mitigation of health and business risks • Ensured compliance with government regulations	• 100% operating capacity during lockdown (Matla operated at 80% until October 2020) • Local command council in Lephalale municipality reached consensus on a response plan and mass screening at provincial entry points (screened 9 348 commuters and tested 12 with symptoms by 3 May 2020) • Energy security to ensure uninterrupted essential services • Minimise economic impact by continuing to generate foreign exchange with coal exports to offshore customers • Production with minimum employees to prevent transmission of COVID-19



STAKEHOLDER MANAGEMENT continued

Stakeholders	Engagement strategies	Objectives	Outcomes
Suppliers	• Implemented a plan of action to mitigate the impact of COVID-19 on ESD beneficiaries – at the beginning of lockdown, a survey identified businesses at risk and challenges in ensuring business continuity • Hosted webinars over four weeks as closed information sessions with relevant information from experts and business leaders	Sustaining black-owned exempt micro-enterprises (EMEs) and qualifying small enterprises (QSEs) to achieve our preferential procurement objectives and to continue positive socio-economic impact in our host communities	• 15 ESD beneficiaries, employing 690 people, received interest-free loan repayment holidays (two to six months) worth R13.9 million • Two companies, employing 262 people, received R2.3 million (initially encouraged to apply for relief packages but access was difficult)
Media	• Exxaro's media engagements strategy is aimed at creating awareness of the organisation, elevating Exxaro's reputation among stakeholders and enhancing the organisation's reputation by creating positive sentiment through communication around social media and traditional media • Our social media strategy shifted in 2020 towards developing differentiated content for each platform that resonates with each target audience – that is, it is more stakeholder-led • We also had a series of media engagement sessions in collaboration with the Minerals Council addressing pertinent social issues related to COVID-19 and how the industry was addressing these for their employees and host communities	• **Care and safety:** Support the physical/ psychological needs of anyone impacted while connecting the organisation's response with its values • **Business continuity:** Help audiences understand how changes to operations will impact them • **Cost and optimisation:** Help employees understand revised organisational strategy and align to new priorities	• Social media platforms that are community and career driven have yielded the most growth, resulting in a 38% audience growth across all social media channels for 2020 • The strategy shift resulted in significantly increased engagement, with the third quarter an especially good period for Exxaro in terms of overall media exposure. Sentiment in the quarter was driven by Exxaro's market performance and COVID-19 community campaigns. Exxaro obtained an impressive overall net sentiment score of +34% in Q3 2020



CASE STUDY

SHARING IS CARING

PERSONAL VIDEOGRAPHIES OF OUR PEOPLE'S COVID-19 EXPERIENCES REACHED THOUSANDS OF STAKEHOLDERS ON SOCIAL MEDIA PLATFORMS FROM MAY TO DECEMBER 2020. THE "FEELGOOD" STORIES WERE WELL-RECEIVED BY OUR SUPPORTIVE AUDIENCES WHO CONTINUE TO ENGAGE POSITIVELY WITH EXXARO.

We plan to include more call-to-action content that will encourage further engagement and mobilise our communities to become involved in the country's battle to adapt to the new COVID-19 normal. Our people are certainly familiar with the safety messages driven home by our Khetha Ukuphepha campaign over the years.

SOCIAL MEDIA CAMPAIGN

19% positive conversations

(72% neutral and <6% negative)

Most online conversations sustained within neutral to positive space over six months

>139 000 mentions of Exxaro

Keywords in conversations relate to:

- Impact of COVID-19 as first wave ended
- Recovery of mining industry
- Concerns about mining industry and restrictions during second wave

Spikes in Exxaro conversations about significant events in South Africa

August 2020

- President Cyril Ramaphosa addressed the nation and announced the move to lockdown level 2
- Exxaro published interim core earnings and revenue due to record export figures despite a weaker rand
- Talks about corruption and government spending on PPE
- GBV initiatives

October 2020

- NUM planned strike at De Beers, Exxaro and Petra Diamonds
- Slindile Khubisa (professional nurse at ECC) contracts COVID-19 on the frontline and tells her story to spread hope and educate the public

December 2020

- Jaco Coetzee (plant manager at ECC) reminds the public that COVID-19 doesn't discriminate
- Exxaro is committed to creating opportunities for entrepreneurs that encourage economic growth
- Exxaro's interest-free loan repayment holidays, funding and webinars help ESD beneficiaries survive the lockdown
- Our ability to defeat the pandemic is based on our prevention measures – COVID-19 tested Exxaro's robustness

