

Governance roadshow

September 2023



Board representatives on the 2023 Exxaro governance roadshow

BOARD MEMBERS



MVULENI GEOFFREY QHENA

CHAIRMAN OF THE BOARD

(CHAIR: NOMINATION COMMITTEE,
MEMBER: REMUNERATION COMMITTEE,
MEMBER: LOGISTICS COMMITTEE)



PHUMLA MNGANGA

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

(CHAIR: REMUNERATION COMMITTEE,
MEMBER: NOMINATION COMMITTEE,
MEMBER: SOCIAL, ETHICS AND
RESPONSIBILITY COMMITTEE,
MEMBER: LOGISTICS COMMITTEE)



PETRUS SNYDERS

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

(CHAIR: RISK AND BUSINESS
RESILIENCE COMMITTEE,
MEMBER: SOCIAL, ETHICS AND
RESPONSIBILITY COMMITTEE,
MEMBER: INVESTMENT COMMITTEE,
MEMBER: LOGISTICS COMMITTEE)

ACCOMPANIED BY



ANDISWA NDONI

GROUP COMPANY SECRETARY



LING-LING MTHAPO

**CHIEF INVESTOR RELATIONS
AND LIAISON OFFICER**

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We remain committed to our purpose

The roadshow is a proactive engagement with the investor community to outline Exxaro's positioning on long-term value creation leveraging ESG for business resilience and sustainability

Dynamic global operating environment



We are aware of the challenges within our operating context...



Logistics challenges compounded by **softer pricing environment**



Lower demand from Eskom due **to short-term disruptions** to offtake



Intensified electricity shortages continue to require solutions



Rand volatility due to perceived jurisdiction risk and geopolitical tension



Resultant **socioeconomic** challenges

...and are capable of providing the necessary oversight whilst navigating this context

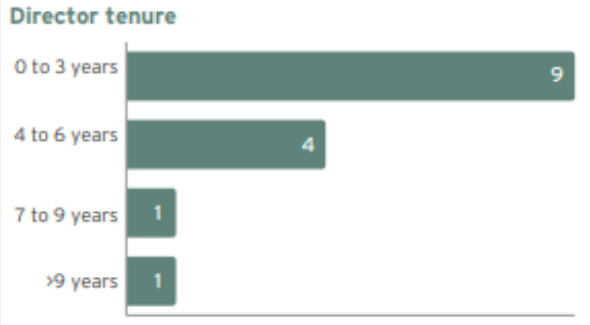
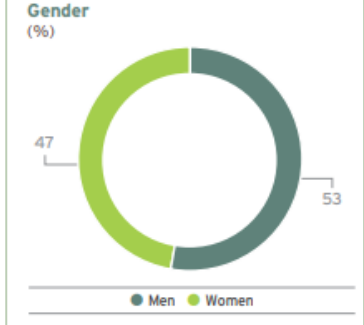
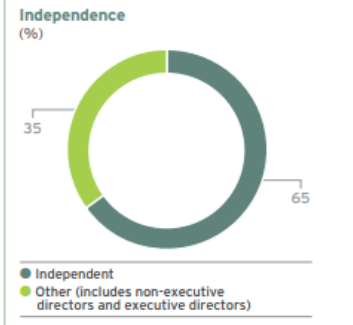


We have the optimal depth and breadth of skills as a board of directors...

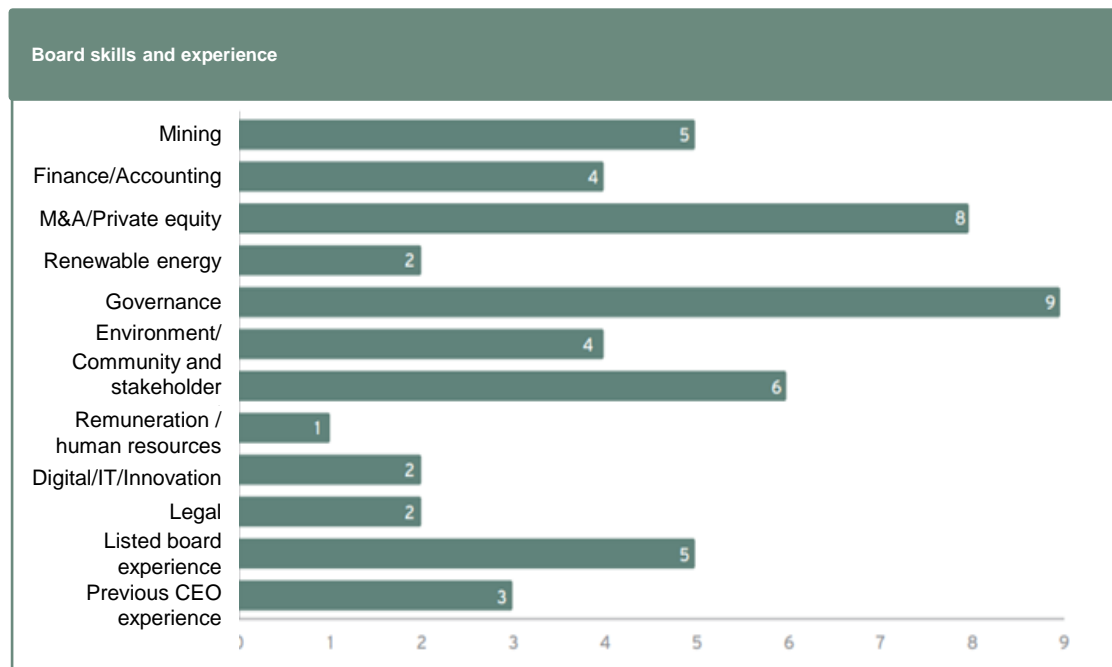


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<p>1. Mvuleni Geoffrey Qhena (57) Board chairperson and independent non-executive director, nomination committee chairperson and remuneration committee member Director since 19 April 2021 and chairman from 27 May 2021</p> <p>Board, Audit committee, Investment committee, Remuneration committee</p>	<p>2. Dr Geraldine Fraser-Moloketi (62) Lead independent non-executive director, SERC chairperson and remuneration committee and nomination committee member Director since 18 May 2018</p> <p>SERC, Remuneration committee, Nomination committee</p>	<p>3. Karen Ireton (67) Independent non-executive director and SERC member Director since 7 February 2022</p> <p>SERC</p>	<p>4. Ben Magara (55) Independent non-executive director and risk and business resilience (RBR) committee member Director since 7 February 2022</p> <p>RBR</p>	<p>5. Billy Mawasha (44) Independent non-executive director, investment committee member and audit committee member Director since 7 February 2022</p> <p>Investment committee, Audit committee</p>			<p>8. Chanda Nxumalo (39) Independent non-executive director, audit committee member, RBR committee member and investment committee member Director since 1 February 2021</p> <p>Audit committee, RBR committee, Investment committee</p>	<p>9. Peet Snyders (62) Independent non-executive director, RBR committee chairperson, SERC member and investment committee member Director since 1 July 2016</p> <p>RBR committee, SERC, Investment committee</p>	<p>10. Isaac Malevu (48) Non-executive director and investment committee member Director since 22 June 2021</p> <p>Investment committee</p>	<p>11. Likhapha Mbatha (68) Non-executive director and SERC member Director since 6 March 2018</p> <p>SERC</p>	<p>12. Zwelibanzi Mntambo (65) Non-executive director, remuneration committee and nomination committee member Director since 28 November 2006</p> <p>Remuneration committee, Nomination committee</p>		<p>13. Mandlesilo Msimang (46) Non-executive director, investment committee member and RBR committee member Director since 15 March 2021</p> <p>Investment committee, RBR committee</p>	<p>14. Dr Nombasa Tsengwa (58) CEO and executive committee chairperson Executive director since 16 March 2021</p> <p>Executive director</p>	<p>15. Riaan Koppeschaar (52) FD Executive director since July 2016</p> <p>Executive director</p>
<p>6. Nondumiso Medupe (52) Independent non-executive director, chair audit committee, member risk and business resilience Appointed 3 January 2023</p> <p>Audit committee</p>	<p>7. Dr Phumla Mnganga (54) Independent non-executive director, remuneration committee chairperson and nomination committee member Director since 7 February 2022</p> <p>Remuneration committee, Nomination committee</p>														

Chairperson	Member
Board	Audit committee
Audit committee	Investment committee
Investment committee	Nomination committee
Nomination committee	RBR committee
RBR committee	Remuneration committee
Remuneration committee	SERC
SERC	



... with a complementary set of capabilities and experience



2022 Director training

April 2022 topics	Time
1. Regulatory framework	90 min
2. The implications of the proposed amendments to the Electricity Regulation Act and how a competitive power market is likely to develop in South Africa, including a growing share of solar and wind investments plus storage and other flexible resource.	75 min
3. Energy landscape, key trends locally and globally and the energy asset management market	60min
October 2022 topics	Time
1. JSE Listing Requirements	120min
2. Competition Act	120min
3. Pay Gap	120min
April 2023 topics	Time
1. Directors' oversight of ESG	360 min

Governance meetings

2 x per year - topics selected on relevance or trends

Succession planning

- Ongoing
- Based on the board's broader diversity and inclusion policy
- Supports the group's strategic focus areas

Board assessment

- Independent service provider
- Assessment conducted September 2022

➔

Key findings

- Recent appointments (Chair + 7 NEDs) enhanced skill set of board
- Smooth onboarding of new Chairman and CEO
- Board functions effectively – no significant matters of concern
- Strong adherence to good corporate governance

We provide oversight through robust governance

Our board structures enable effective oversight

Exxaro Resources Board of Directors

Our **corporate governance structure** supports value creation through **effective control** to build and protect Exxaro's reputation and legitimacy

Audit committee

Oversees and enables an effective **internal control environment**, oversees the **integrity of information** for **decision making**, supports the **integrity of external reports**

Remuneration committee

Oversees implementation and execution of the **remuneration policy** as well as governance of **performance management**

Nomination committee

Independent and objective oversight of board and board committee **structure, size and composition** as well as board and board committee **performance evaluation**

Risk & business resilience committee (RBR)

Oversees the implementation of an effective policy and plan for **risk management** as well as the appropriateness of Exxaro's **crisis response** plans and frameworks

Social, ethics & responsibility committee (SERC)

Shared oversight of **sustainability management** with board

Investment committee

Reports on and has oversight on material **acquisitions, mergers/investments** or **disposals**

Logistics committee*

Oversight **on logistics enablement**

*Note: Newly established logistics committee is an adhoc subcommittee of the Board

Our roles and responsibilities are clearly differentiated. We provide governance and oversight to the executive management team and hold them accountable




We have confidence in the diverse and complementary executive management team

Executive Committee

							
Dr Nombasa Tsengwa (58)	Riaan Koppeschaar (52)	Kgabi Masia (47)	Johan Meyer (54)	Mongezi Vetu (59)	Andiswa Ndoni (55)	Richard Lilleike (56)	Joseph Rock (53)
Chief Executive Officer	Finance Director	Chief Coal Operations Officer	Chief Technology Officer	Chief Sustainable Impact Officer	Chief Strategic Resilience & Governance	Chief Growth Officer	Chief People & Performance Officer

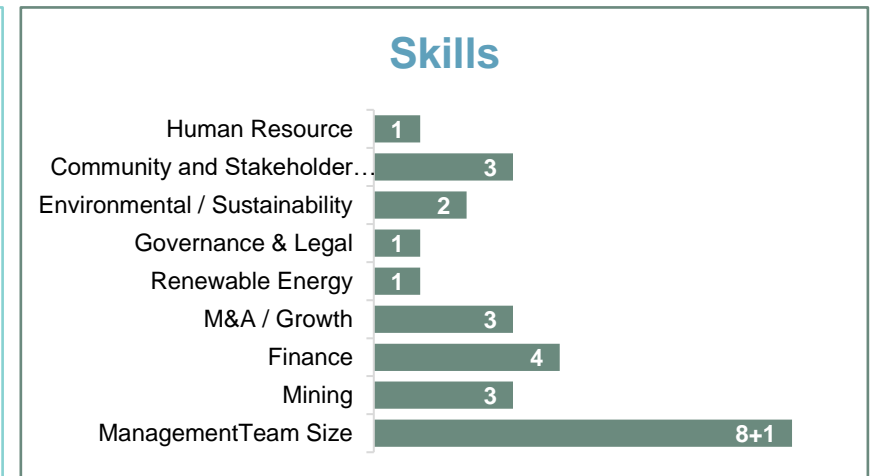
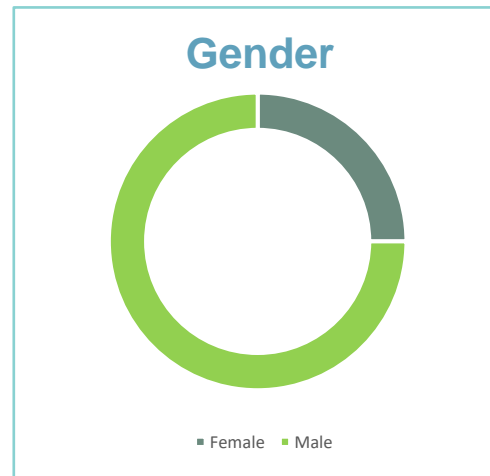
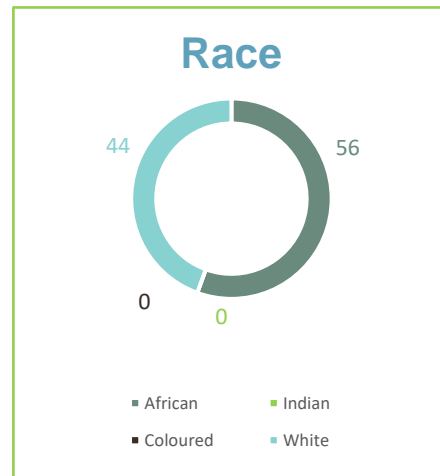
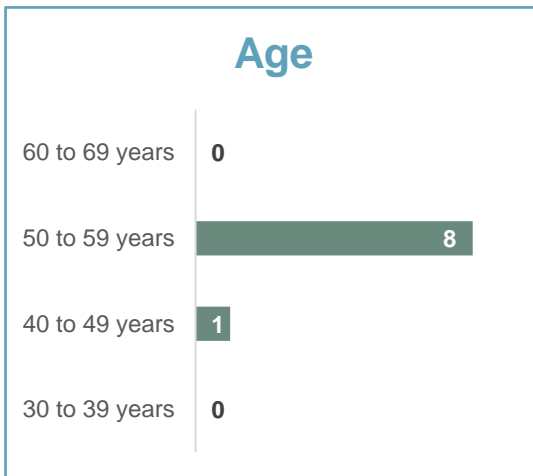
Energy



Leon Groenewald (56)

Managing Director: Energy

Management diversity



We have a firm handle on material matters which serve strategy execution



Executing our strategy

Diversify into minerals, build a leading renewable energy solutions business, coal portfolio optimisation



Principled governance

Transparency, ethics and integrity, embedding ESG in response to increased regulation and for sustainability, legal, regulatory and compliance excellence, risk management



Driving business resilience

Supply chain and logistical impediments, financial performance and resilience, capital allocation, cyber risk, innovation and digitalisation



Helping our people thrive

Health, safety, wellness, workforce culture, capability, diversity, equity, inclusion, innovation, remuneration, labour relations



Adapting to a changing context

Geopolitical context, macroenvironment, supporting a just transition to a low carbon economy, commodity price risk



Responsible environmental stewardship

Water stewardship, impact of climate change, managing our pollution, closure planning and rehabilitation management, carbon emissions reduction, waste and biodiversity management



Building sustainable communities

Social license to operate, social acceptance and community unrest, supporting a just transition to a low carbon economy, impacts on local communities, value sharing, job and business creation, resettlement and land use, human rights

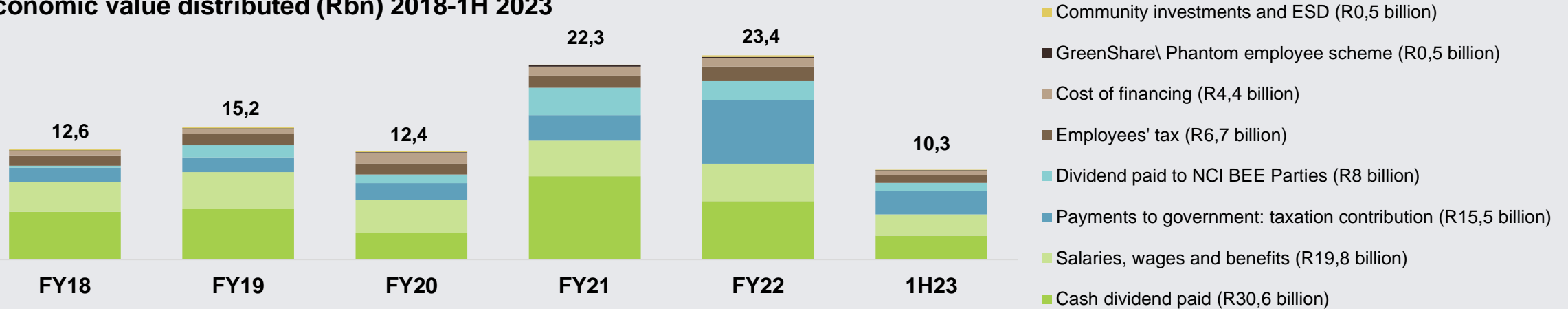
Our interests are aligned with those of our shareholders, and other stakeholders, to create long-term, sustainable value

Focus areas include:

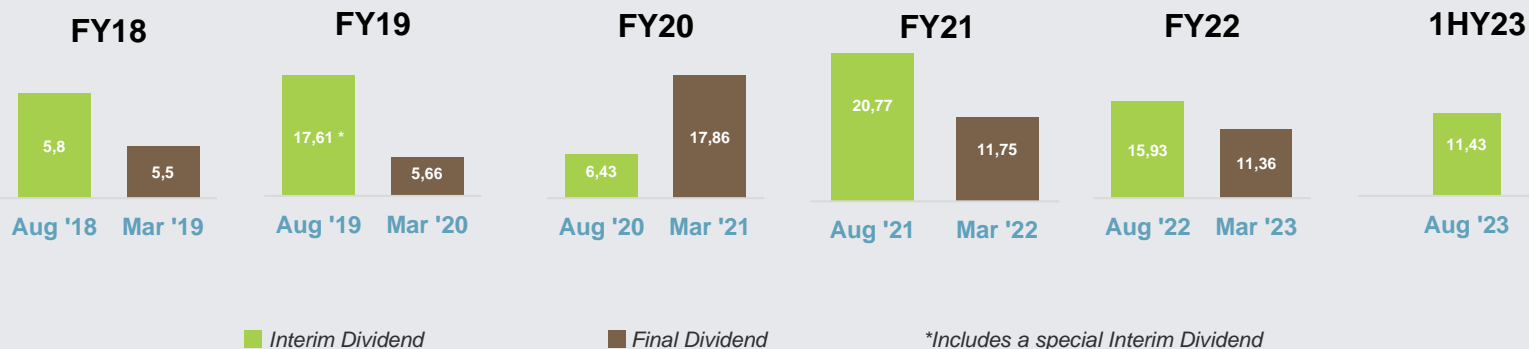
1. Value distribution to stakeholders
2. Remuneration that drives performance
3. Reducing the wage gap
4. Effective capital allocation
5. Environmental stewardship and social impact
6. Safety through focus on back to basics

R96bn in value distributed to stakeholders over past 5.5 years

Economic value distributed (Rbn) 2018-1H 2023



Dividends paid 2018 - 1H 2023



August '18

Dividend policy revised

Cover ratio of 2.5 -3.5x coal core earnings. 100% pass-through of SIOC dividend

March '20

Dividend policy revised in line with new strategic approach to focus on minerals and energy business growth. Cover ratio of 2.5-3.5x adjusted group earnings (including Cennergi earnings); 100% pass-through of SIOC dividend

March '23

Dividend policy unchanged

Taking into account the uncertainties associated with the logistical challenges, as well as our growth prospects in minerals and energy, the Board has not considered a special dividend

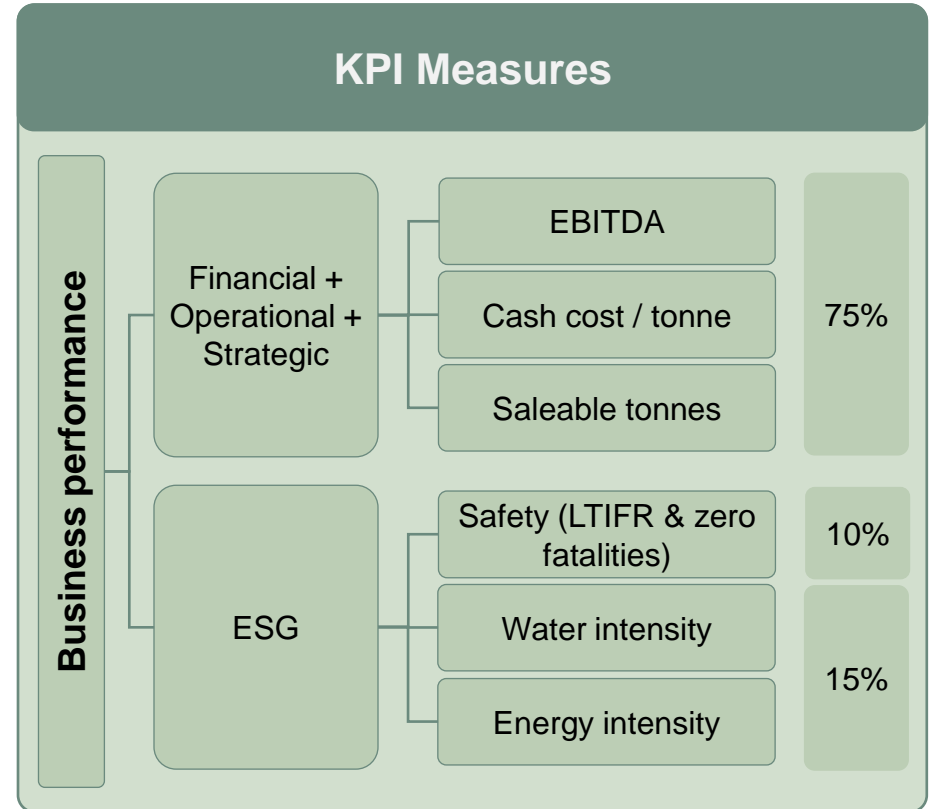
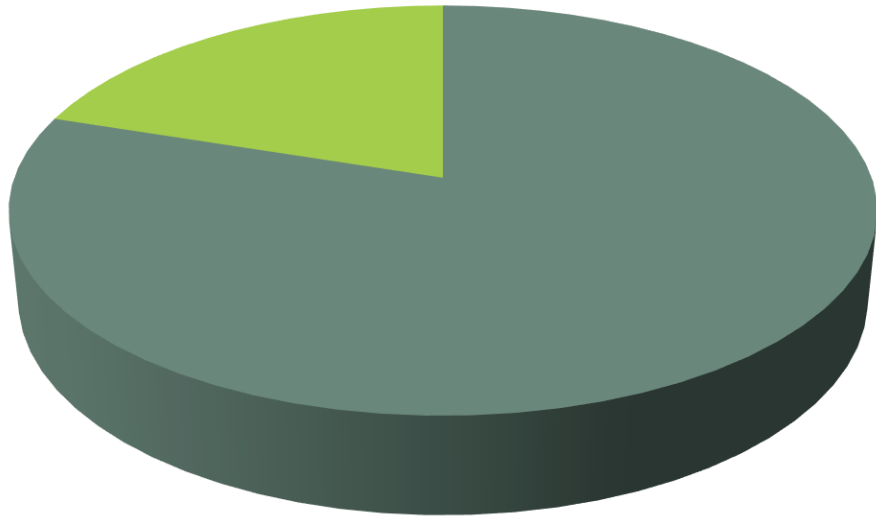
We remain focused on aligning performance with remuneration



Our short-term incentive scheme remuneration for effective business performance and strategy execution

20%
Individual performance

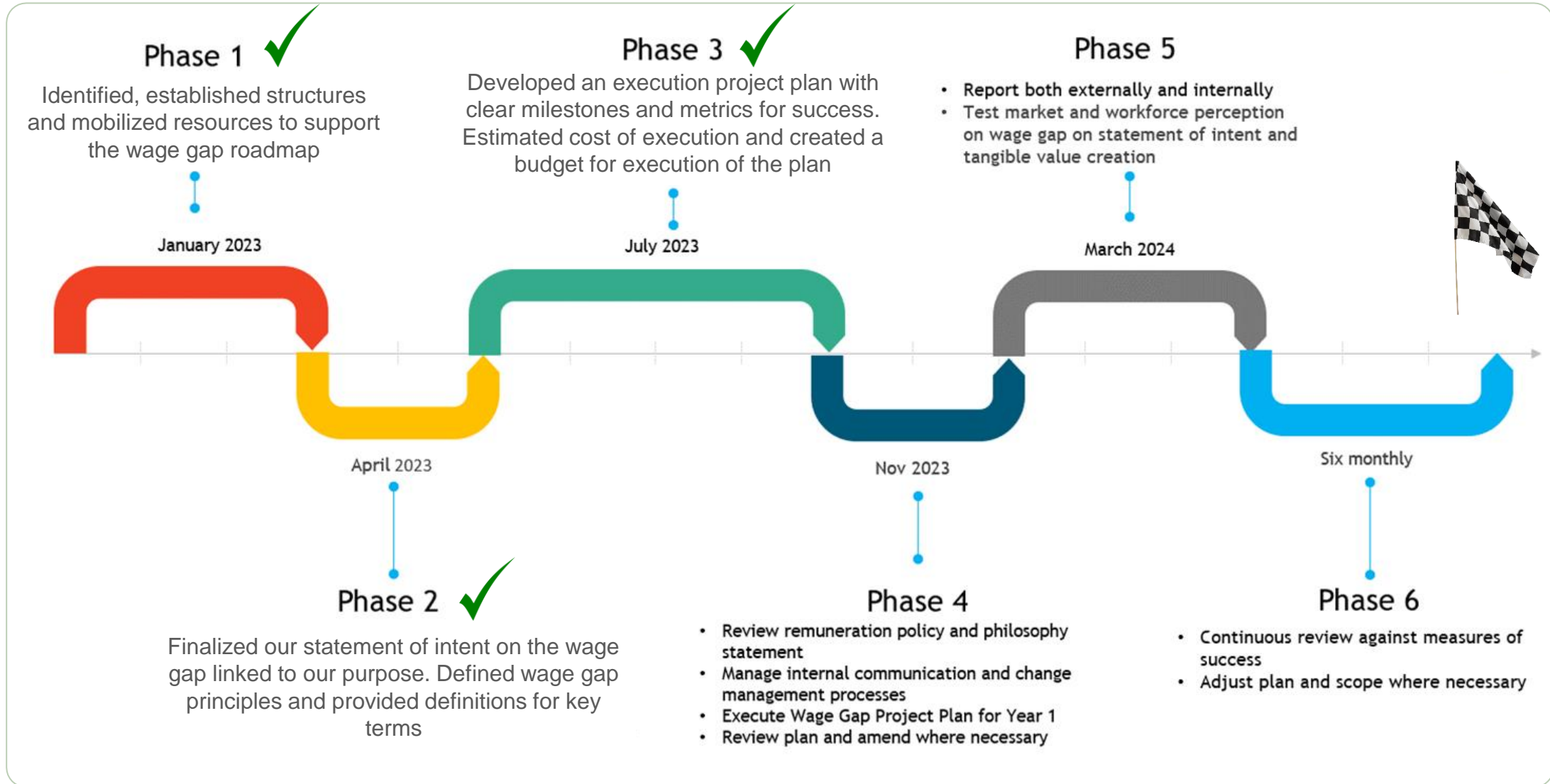
80%
Business performance
The performance range of measures will vary between 0 (threshold), 100% (target) and 150% (stretch)



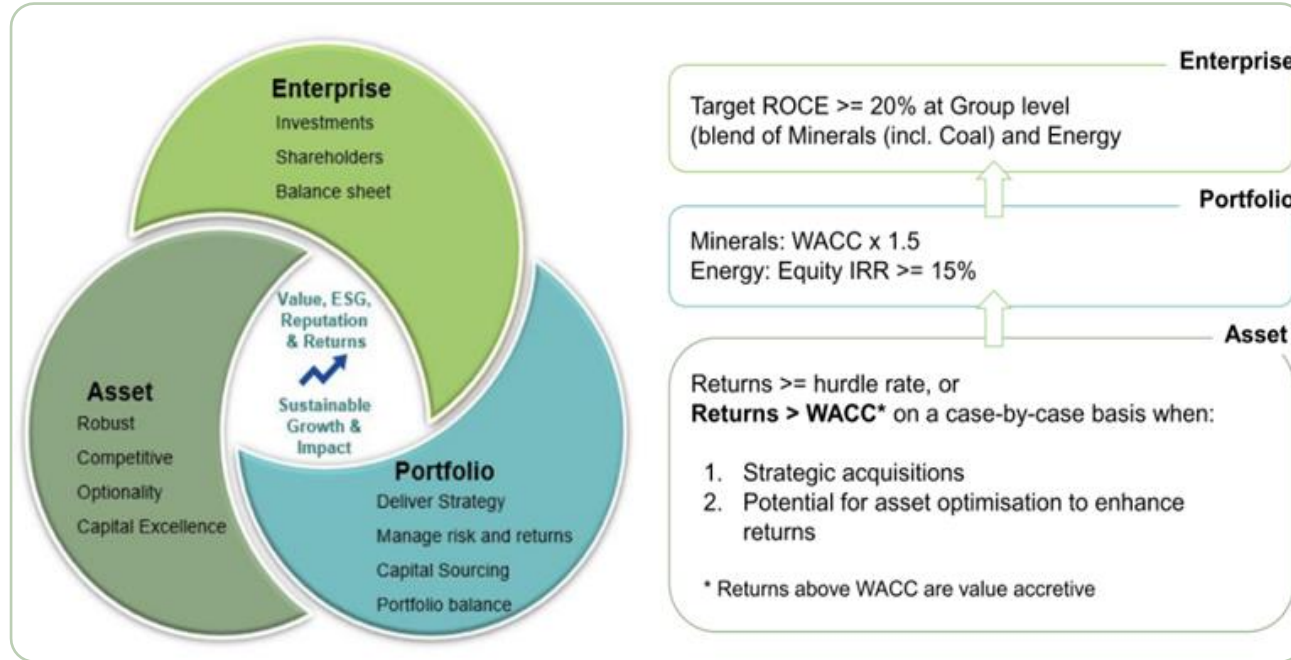
Changes implemented in 2023

Removed the functional scorecards to simplify the scheme and ensure greater fairness and standardization across the company with business and individual performance remaining with the weightings of 80% and 20% respectively

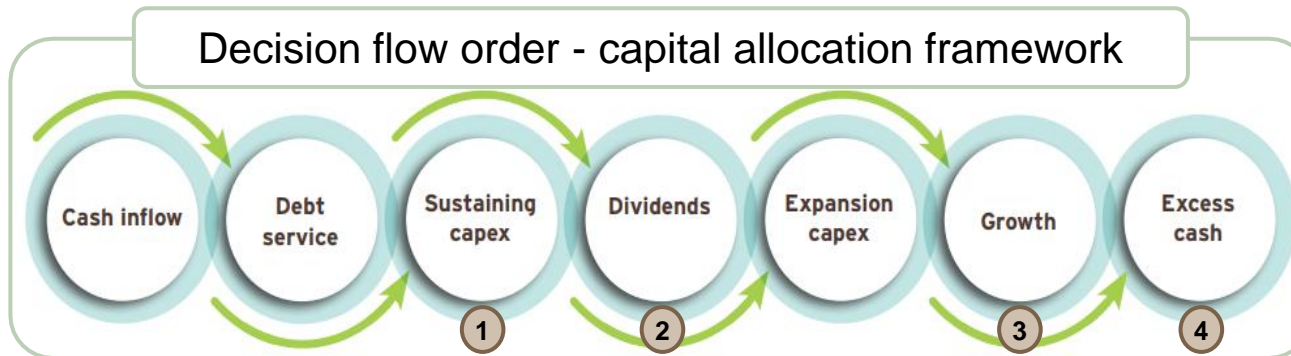
We are executing the plan to reduce the wage gap



A capital allocation framework that enables targeted returns



- 1 Guidance on coal business: R2,5bn per annum (real terms)
- 2 Dividend policy:
 - 100% SIOC dividend pass through
 - 2.5-3.5 times cover on adjusted group earnings
- 3 See targeted hurdle rates
- 4 Cash retention:
 - R12-R15bn net cash earmarked for growth *informed by*:
 - Size of possible minerals and energy acquisitions
 - Downside scenarios
 - Maintaining balance sheet flexibility
 - Dividend policy to be maintained
 - Cash retained to reduce as growth strategy is executed
 - Surplus cash could be available for special distributions
 - To be assessed continuously by board



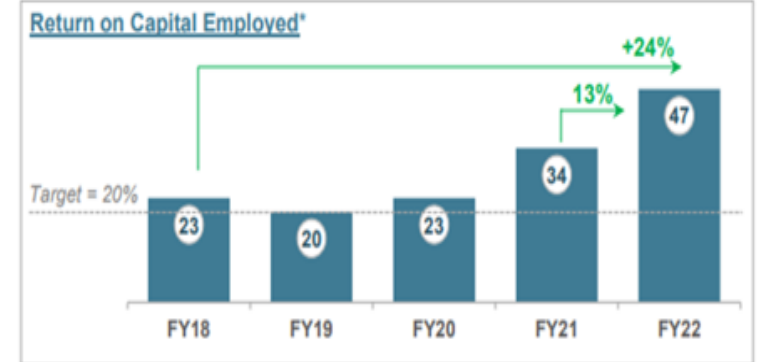
Our capital allocation framework enables consistent value distribution

Capital allocation framework



Dividend declared

	Interim 1H23	Total FY22	Final 2H22	Interim 1H22
Dividend cover - Group adjusted earnings* (times)	2.5	2.5	2.5	2.5
SIOC dividend declared (Rm)	1 967	3 917	1 419	2 498
Dividend declared per share (cents)	1 143	2 729	1 136	1 593
Dividend declared (Rm)	3 993	9 532	3 968	5 564
Eyesizwe	1 230	2 936	1 222	1 714
Other	2 763	6 596	2 746	3 850



Dividend policy

Coal core earnings 2.5 – 3.5 cover	Adjusted group earnings 2.5 – 3.5 cover
100% SIOC dividend pass through	100% SIOC dividend pass through



Capital prioritization protects the coal business and caters for growth through investments in minerals and energy, whilst balancing shareholder returns

5. *Environmental stewardship and social impact*

We oversee sustainable environmental and social impact through sound governance



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- **Revised** scope 1 and scope 2 emissions **targets** of 40% by 2026
- **Partnering** with Eskom and others to address scope 3 emissions
- **Effective oversight** in our climate resilience efforts



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- **Focused social impact** strategy to ensure community upliftment and development
- Oversee meaningful progress on **diversity, equity and inclusion**



6. Safety through focus on back to basics

Our people are the heart of the organization



- A year of zero fatality across all our operations
- **0.08** group LTIFR* (Target = 0.05)
- **Committed** to continuous efforts to achieve **zero harm**
- **Employee wellness** is a key focus area and is supported through **targeted programmes**

* Lost time injury frequency rate per 200 000 hours worked

**“we will deliver
on our purpose
– to power
better lives in
Africa and
beyond”**

Conclusion



Robust governance practices provide the **foundation** for **value creation**



Sound and credible board to discharge our governance role and responsibilities objectively and effectively



Committed to ensuring the **safety** and **well being** our people



Challenging operating environment with a **key risk** being **logistics**



Resilient coal business remains our **defense** in a challenging operating environment and is well positioned to deliver continued value



Custodian of group’s strategy and support execution to **drive decarbonization** and **growth**



Committed to create **consistent value** for shareholders and other stakeholders



Thank you

exxaro

POWERING POSSIBILITY