

EMBEDDING THE 6 CAPITALS IN THE RISK MANAGEMENT PROCESS

ITUMELENG LEBEPE



**INTEGRATED REPORTING
COMMITTEE (IRC)
OF SOUTH AFRICA**

**ANNUAL CONFERENCE
2020**

#IRCSACConf20

AGENDA

- WHO IS EXXARO
- JOURNEY TO INTEGRATION
- THE END STATE

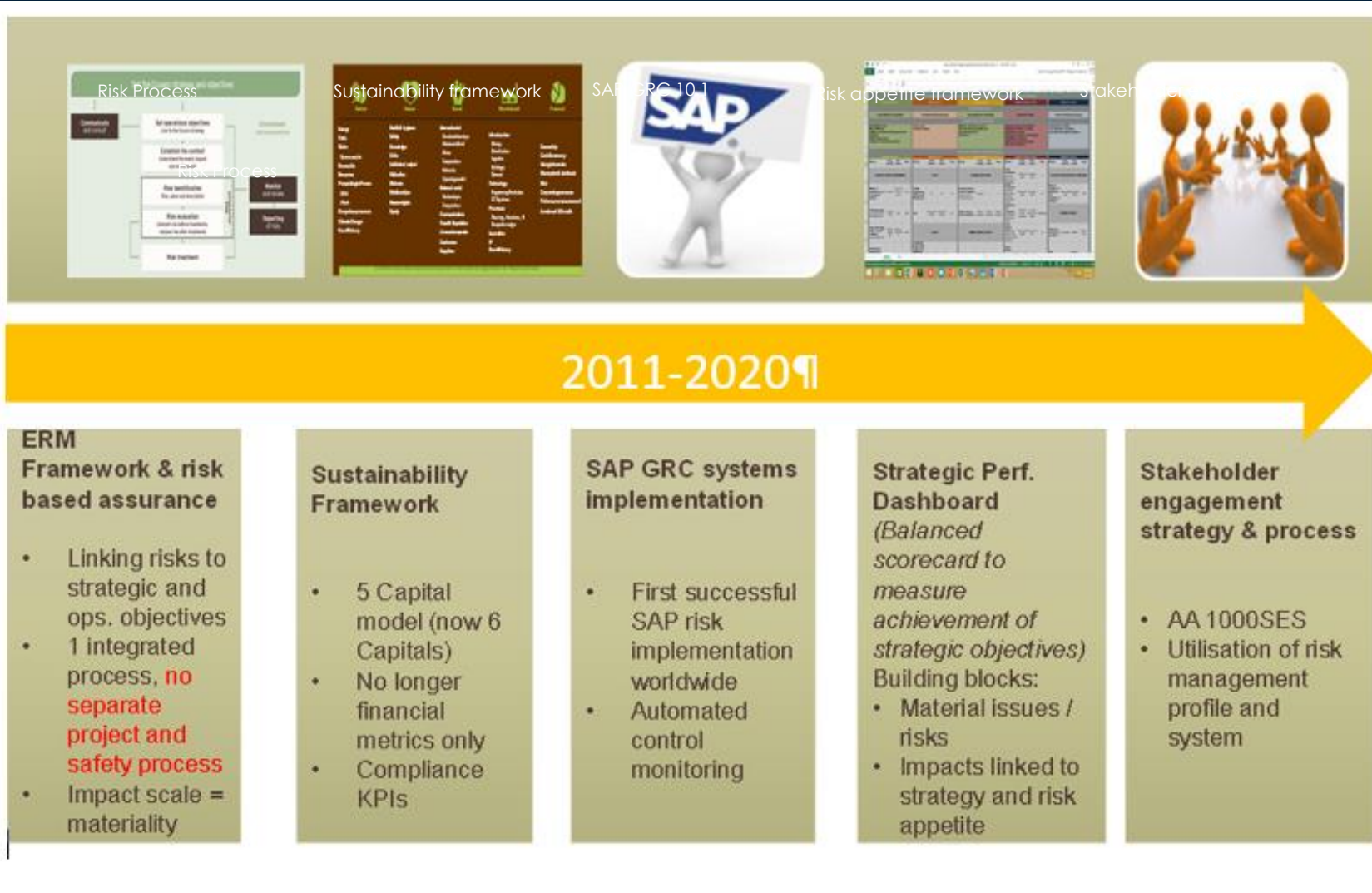
WHO IS EXXARO?

Exxaro has established itself as one of South Africa's largest black-empowered resource companies. We are among the top five coal producers in South Africa, and a constituent of the JSE's Top 40 index. What's more, we are included in the FTSE/JSE Responsible Investment Top 30 index.

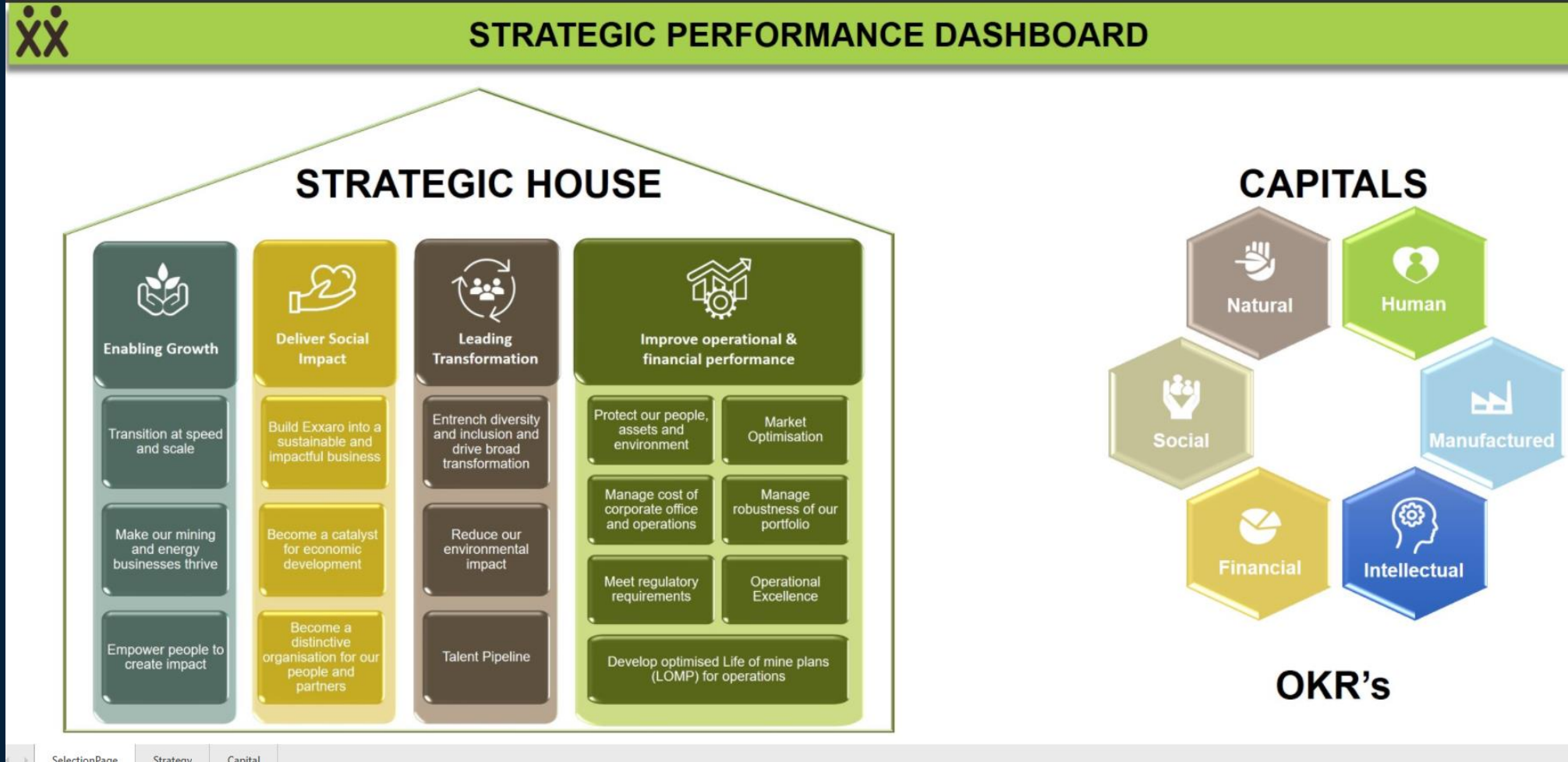
Exxaro operates in both the Mpumalanga and Limpopo regions, where the country's highest coal resource concentrations can be found. 80% of the coal is sold to domestic markets, with the balance sold internationally. Equipped with a diversified portfolio of assets and a solid resource base, we are also the only producing mine in the coal-rich Waterberg region through our flagship operation – Grootegeluk.



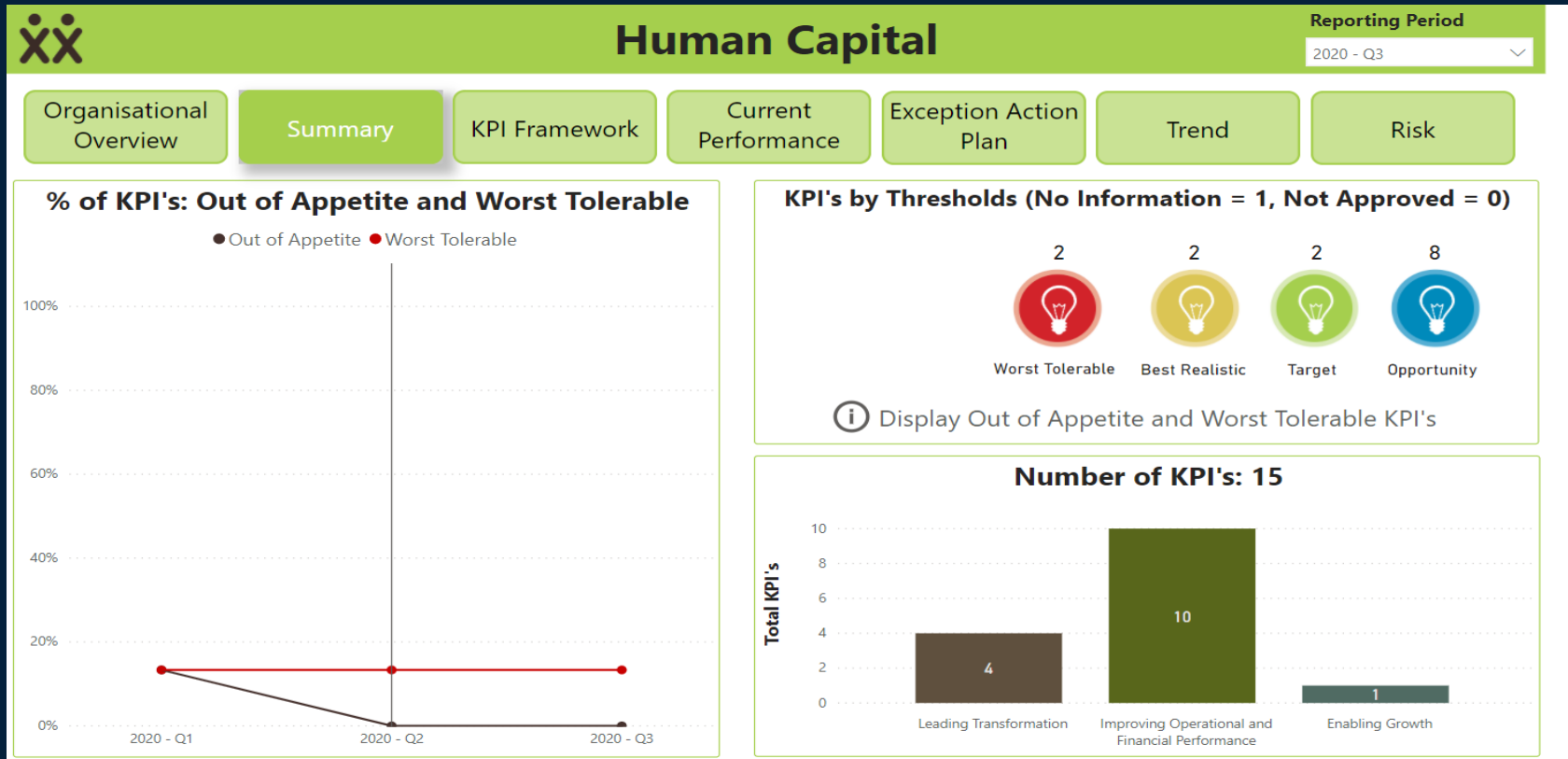
EXXARO JOURNEY TO INTEGRATION



EXXARO JOURNEY TO INTEGRATION - STRATEGIC PERFORMANCE DASHBOARD: HOMEPAGE



EXXARO JOURNEY TO INTEGRATION - STRATEGIC PERFORMANCE DASHBOARD



EXTRACT OUT OF OUR INTEGRATED REPORT

1 Eskom systemic risk

Capitals impacted



Drivers

- Inadequate environmental financial provision at captive mines
- Rehabilitation fund shortfall at Matla
- Realisation of approved funding for capital requirements (Matla capital project programme)
- Further delays in the Eskom Medupi power station operating at full capacity
- Eskom liquidity risk: Eskom not honouring commercial rights and obligations as per coal supply agreements

Strategic performance KPI

B-BBEE contribution level, black ownership, SLP project delivery, capital project delivery, core operating margin, annualised return on capital employed, annual core HEPS and net debt to annualised EBITDA
(+ page 15, ESG report page 12)

Impacts

- Cost of production becomes uncompetitive at Matla (lack of capital)
- Loss of revenue
- Reputational damage
- Cash flow constraints at Eskom resulting in late or no payment to Exxaro
- Operational constraints at Grootegeluk due to pit liberation impacts as a result of further Medupi power station delays or inability of Eskom to take contracted offtake

Treatments

- Enforcement of coal supply agreement and arbitration award in terms of environmental funding
- Capex funding to build siding to evacuate coal
- Temporary solution to load test train from Waterberg to Mpumalanga
- Top management and political interaction with ministers when required
- Ongoing discussions on the future of Matla

Outlook

- Eskom continues to face a tough operating and fiscal environment
- Expect significant progress in improving offtake for Medupi
- Active participation and planning with Eskom to extract coal from Waterberg

Lines of defence: 1 and 2

Materiality theme:



Risk trend: ↓