

**EXXARO RESOURCES LIMITED
(Exxaro or the Company)**

**INVESTMENT COMMITTEE
(the Committee)**

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 The Committee is constituted as a committee of the board of directors of the Company (the Board) in terms of the Companies Act of 2008 (the Act) and the Company's Memorandum of Incorporation (Mol).
- 1.2 The duties and responsibilities of members of the Committee as set out in this document are in addition to those duties and responsibilities they have as members of the board or prescribed officers of the Company.
- 1.3 The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board members in regard to their fiduciary duties and responsibilities in terms of which Board members must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.4 These terms of reference are subject to the provisions of the Act, the Company's Mol and any other applicable law or regulatory provision. Guidance is also taken from the principles and the relevant recommendations of the King IV Report on Corporate Governance for South Africa, 2016 (King IV).
- 1.5 In this term of reference, Group shall refer to the Company and its subsidiaries as contemplated in section 1 of the Act. Unless otherwise indicated, the meaning ascribed in King IV to relevant words and phrases shall equally apply in this term of reference.
- 1.6 Unless otherwise indicated, the meaning ascribed in the King IV to relevant words and phrases shall equally apply in the Terms of Reference.
- 1.7 In these Terms of Reference, words importing any one gender include the other two genders; the singular include the plural and vice versa; and natural persons include created entities (corporate or non-incorporate) and vice versa.

2. PURPOSE

The purpose of this terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3. ROLE

- 3.1 The Committee has an independent role in terms of which it operates and makes recommendations to the board, monitor on behalf of the board and report to the board on material acquisition, merger/ investment, or disposal opportunities and on-going material transactions and matters related thereto in the scope of the approved Energy and Minerals growth strategy of Exxaro, including ongoing portfolio management of these businesses, existing and post investment reviews and management.
- 3.2 The role of the Committee is to review the strategic fit, the risk appetite as well as to review the financial, technical and legal due diligences for major investments in the

scope of 3.1. It shall further ensure that all Exxaro's governance processes are adhered to at all times and that the approved hurdle rates, set from time to time are met before any funds are committed.

- 3.3 The Investment committee shall act as the delegated committee of the board in respect of capital investments in the scope of 3.1. In accordance with the delegation of authority policy and framework (as approved by the board from time to time) an investment opportunity will first serve at the Investment committee, where a detailed review shall be conducted in line with the investment criteria approved by the board. After such review the investment opportunity may be recommended by the Investment Committee to the Board for final approval. Metrics for decision making by the board and the Investment committee shall be presented and approved by the board to guide the board and the Investment committee respectively in making an informed decision.
- 3.4 Once the Investment committee has been satisfied that all material investment criteria has been met, it will recommend the opportunity for final approval to the board or to approve the transaction in line with any delegation from the board.
- 3.5 The role of the Committee is to assist the board in providing independent oversight and review and make recommendations to the board regarding the following aspects as minimum:
- i) the approval and amendment of the investment guidelines and criteria (which would include the proposed exit strategy at inception);
 - ii) the strategic fit of the initiative in line with the long-term investment strategy of Exxaro;
 - iii) the portfolio mix;
 - iv) all investments, divestment, corporate restructuring and financing proposals which exceed the delegated authority levels of the Executive Committee and which require prior Board approval.
 - v) whether the proposed investment is in line with the risk appetite of Exxaro
 - vi) the achievement of the hurdle rates as set by Exxaro from time to time;
 - vii) the valuation method and valuations;
 - viii) evaluate the assessed financing options;
 - ix) annual estimate of income and expenditure of the investment opportunity (pro forma operational budget of the type of investment opportunity involved that led to the valuation or future value of the company or investment);
 - x) capital plan and annual capital programme of the investment opportunity;
 - xi) overall borrowing requirements including any overdraft facility of the investment, project or transaction opportunity;
 - xii) summary of the financial, legal and technical due diligence report relating to the investment opportunity;
 - xiii) the risks that have been identified out of the business, legal and technical due diligences and whether they can be mitigated;
 - xiv) the overall risk profile of the initiatives in line with the risk appetite;
 - xv) the protection of minority rights should, the investment opportunity requires taking up a minority stake;
 - xvi) adherence to the governance process;
 - xvii) any material scope changes (where the project/investment opportunity was approved) for execution, in accordance with the latest Board approved delegation of authority policy and matrix;
 - xviii) understand how the investment or project will be managed after approval by the board, including the impact on resources; and
 - xix) receive feedback from the Energy and/or Minerals businesses on progress with the implementation of the project that has been approved by way of the investment progress schedule together with post-implementation reviews.
- 3.6 The Committee does not assume the functions of management, which remain the

responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board.

- 3.7 The Committee, in carrying out its duties, will have due regard to the King IV principles and recommended practices.

4. **MEMBERSHIP**

- 4.1 Members of the Committee will be appointed by the board, on recommendation of the remuneration and nomination committee in line with the Diversity and Inclusion Policy of the board.

- 4.2 The Committee will comprise at least three non-executive directors, the majority of whom shall be independent. Prescribed officers of the Company, including but not limited to the chief executive officer, will also be eligible for membership subject to the majority of the members being independent non-executive directors.

- 4.3 The board shall appoint the chair of the Committee, who shall be an independent non-executive director.

- 4.4 The chair of the Committee shall be required to attend the annual general meeting of the Company and answer questions relevant to the duties of the Committee.

- 4.5 Membership of the Committee shall automatically terminate in the event that a member ceases, for whatever reason to be a director, prescribed officer or employee of the Company. Notwithstanding, the board will have the power to, at any time, remove any members of the Committee and fill the vacancies created by such removal.

- 4.6 In respect of decisions where the Committee has statutory responsibility, decisions will be taken by a majority vote of members and the chair will not have a casting vote. In respect of decisions on other delegated matters (not part of the Committee's statutory mandate), such decisions will be taken by consensus however, in the case of material disagreement, will be referred to the board for a final decision.

- 4.7 The board will ensure there is a balanced blend of skills and experience so that the Committee is able to discharge its functions, and consider the need for ad hoc invitees with the necessary technical experience to assist members in their technical deliberations.

- 4.8 Access to the meeting material by the ad hoc invitees will be limited to the meeting and specific agenda item for which the necessary technical expertise is required.

- 4.9 All Committee members must be suitably skilled and experienced non-executive directors.

- 4.10 The members must collectively have sufficient qualifications and experience to fulfil their duties, including:
- (i) An understanding of the Exxaro strategy and how it aligns with the Energy and Minerals strategies;
 - (ii) an understanding of financial and sustainability key performance indicators and risk thresholds determined from time to time;
 - (iii) an understanding of environment controls;
 - (iv) an understanding project management, project review and oversight;
 - (v) knowledge of the returns expectation of the shareholder; and

- (vi) a willingness to take some risk in order to earn a return higher than the risk-free rate in the longer term.

5. MEETINGS

5.1 Quorum

- 5.1.1 The quorum necessary for transacting business will be a majority of members present in person, or linked by telephone or video conference facilities.
- 5.1.2 A duly convened meeting of the Committee at which a quorum is present will be competent to exercise any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.1.3 In the absence of a quorum and subject to the discretion of the chair, the meeting can either be postponed to a later date or can proceed as an informal meeting with all resolutions required to be taken at the meeting being formally approved by way of a written resolution.
- 5.1.4 No resolutions tabled for approval by the Committee at a meeting which is not quorate shall be implemented or given effect to until formally approved at the postponed meeting or via written resolution as contemplated in clause 5.1.3.

5.2 Attendance

- 5.2.1 Committee members are expected to attend all meetings of the Committee, unless an apology with reasons has been submitted to the chair or the group company secretary.
- 5.2.2 Every member of the board is entitled to attend any meetings of the Committee as an observer. However, unless that member is also a member of the Committee, the member shall not be entitled to participate without the consent of the chair, does not have a vote and is not entitled to fees for such attendance unless otherwise approved by the Board and shareholders.
- 5.2.3 A standing invitation to meetings of this Committee will be issued to the:
- chief executive officer;
 - finance director; and
 - Managing director Energy or Minerals or both, as the case may be.
- 5.2.4 Other individuals, including members of management, external consultants and service providers may be invited to attend meetings of the Committee from time to time in consultation with the chair.
- 5.2.5 No invitees will have a vote at Committee meetings or be counted for quorum purposes.
- 5.2.6 If the chair of the Committee is absent from a meeting, any other member of the Committee may act as chair for that meeting as agreed by those present or as nominated by the chair of the Committee.
- 5.2.7 The group company secretary (or duly authorised representative) shall be in attendance at each meeting of the Committee to act as secretary of the Committee.

5.3 Frequency

- 5.3.1 This Committee will meet at least four times a year:
- 5.3.1.1 which may include two or more ad hoc meetings of the Committee, following receipt of a request from the CEO, to consider a specific matter within the scope of paragraph 3 above; and.

- 5.3.1.2 at least two meetings to allow for post investment monitoring and annual review of the portfolio and matters.
- 5.3.2 Members shall be notified at least four working days in advance of a meeting and such notification shall include the agenda as well as any supporting documentation.
- 5.3.3 A member of the Committee or the CEO may request a meeting if deemed necessary and a meeting shall then be arranged in consultation with the chair of the Committee. Formal notice of such ad hoc meeting shall be given as and when required.
- 5.3.4 The Committee must undertake such work as is necessary in preparation for relevant board meetings and to properly report to the board on its activities and recommendations.
- 5.3.5 An annual work plan, based on the duties of the Committee, shall be implemented and approved by the Committee and shall be reviewed every second year together with these terms of reference.
- 5.4 **Meeting procedure**
- 5.4.1 The meetings of the Committee may be held in person, or by electronic communication as circumstances may require, provided that the required quorum is met and that the members can speak and hear one another during the meeting.
- 5.4.2 The decisions of the Committee will be taken by a majority vote of members and the Chair will not have a casting vote.
- 5.4.3 Members are expected to be well prepared for meetings and to constructively and actively participate in deliberations.
- 5.5 **Minutes**
- 5.5.1 The Committee secretary will minute the proceedings and resolutions of all committee meetings.
- 5.5.2 Draft minutes shall be circulated to the executives within 7 (seven) working days after the meeting and to non-executive directors within 10 days after the meeting. Executives shall be afforded 3 (three) working days and Directors shall be afforded 5 (five) working days from the date of circulation of the draft minutes to them to propose to the Group Company Secretary or designate in writing, any amendments to the draft minutes, in the absence of which they shall be deemed not to have any comments. The minutes shall be confirmed as a true record by the Committee at its next scheduled meeting or via electronic communication, if necessary, where after it shall be signed by the chair or acting chair of the meeting.
- 5.5.3 The draft or approved minutes shall be presented to the board for noting at its next meeting after a Committee meeting.
- 5.6 **Resolutions**
- A written resolution consented to in writing by 75 percent of the Committee members for the time being will be as valid and effective as if the same had been passed at a duly convened meeting of the Committee provided that each member of the Committee shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates.
- 5.7 **In-committee meetings**
- 5.7.1 In-committee meetings of the Committee, where only members of the Committee are present, may be held as and when deemed appropriate by the chair of the Committee.

5.7.2 The group company secretary shall be in attendance at in-committee meetings for minute purposes. In the event that the group company secretary is also excused from the meeting, the chair shall nominate a member of the Committee to keep notes of the discussions and/or decisions for record purposes.

5.7.3 Separate minutes shall be prepared for in-committee meetings and shall be circulated to members for confirmation via electronic communication where after it shall be signed by the chair of the Committee.

6. **REPORTING**

6.1 The Committee, through its chair, will report to the board on its duties assigned to it by the board.

6.2 The chair of the Committee will, where reasonably possible, attend the annual general meeting of the Company's shareholders to answer any questions on its activities.

6.3 The chair of the Committee will verbally report on its proceedings and findings at board meetings in support of the minutes of the Committee, for noting.

7. **EVALUATION OF THE COMMITTEE**

The performance of the Committee shall be evaluated in accordance with the methodology approved by the board from time to time.

8. **REMUNERATION**

8.1 Members of the Committee, including the chair, will be paid such fees as recommended from time to time by the remuneration and nomination committee to the board, subject to shareholders' approval.

8.2 Remuneration of newly appointed Committee members will be payable in the month of first attendance as members.

9. **REVIEW OF TERMS OF REFERENCE**

These Terms of Reference shall be annually reviewed by the Committee and may, from time to time, be amended as required and as recommended by the Committee, subject to the approval of the Board.

CHAIR OF THE BOARD