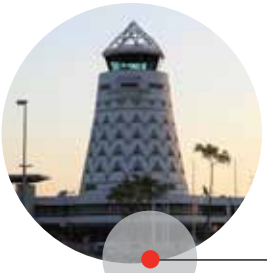
GAUTRAIN, SOUTH AFRICA

26° 8′ 12.0221″ S
28° 14′ 28.1252″ E

125 YEARS OF QUALITY TO BUILD A FUTURE THAT LASTS



HARARE INTERNATIONAL AIRPORT, ZIMBABWE

16° 57′ 20.343″ S
27° 58′ 18.338″ E

KIGALI CONVENTION CENTRE, RWANDA

1.9546° S
30.0939° E

MINISTRY OF HEALTH, BOTSWANA

24° 39′ 21.4956″ S
25° 54′ 29.6082″ E

PPC

Integrated Report 2017

PPC STRENGTH GUARANTEED

LOERIESFONTEIN WIND FARM, SOUTH AFRICA

30° 55′ 11.7343″ S
19° 26′ 58.9502″ E

CALGRO FLEURHOF DEVELOPMENT, SOUTH AFRICA

26° 12′ 0.1904″ S
27° 54′ 52.7321″ E

CONGOLESE TRADE CENTRE, DEMOCRATIC REPUBLIC OF CONGO

4° 17′ 54.5078″ S
15° 18′ 42.1175″ E

NELSON MANDELA CHILDREN'S HOSPITAL, JOHANNESBURG

26° 10′ 42.7130″ S
28° 2′ 20.9166″ E

LAKE KARIBA, ZIMBABWE

16° 57′ 20.343″ S
27° 58′ 18.338″ E

CONTENTS

WHO WE ARE

For 125 years PPC has tracked the growth and development of southern Africa, playing a central role in infrastructure development across the region. From the roads and bridges that bring people and goods closer, the highways and airports that connect cities, countries and continents, to the buildings we call home and work. PPC has supplied some of southern Africa's most iconic and strategic infrastructure projects including the Cape Town stadium, Union Buildings in Pretoria, international airports in Gaborone and Harare and beyond to Kigali's convention centre and the Congolese trade centre in Kinshasa.

Over the years PPC has taken its philosophy of providing quality products to build a future that lasts beyond South Africa, Botswana, Swaziland, Mozambique and Zimbabwe to Rwanda and more recently, the Democratic Republic of Congo and Ethiopia. Originally a cement company, PPC has extended its materials and solutions portfolio to include lime, readymix concrete, fly ash and aggregates.

As Africa's upward economic growth trajectory continues and our cities remain among the fastest growing in the world, the need to upgrade existing and build new infrastructure becomes more critical. PPC is proud to be a trusted partner as we build Africa. The company continues to invest in technology to enhance energy efficiency to reduce air emissions, minimise waste production, recover and recycle raw materials and conserve natural resources, while producing a reliable and affordable supply of building materials to support the economies of the countries where we operate.

PPC is truly an African success story – a focused business that reflects the strength of its people, products and services. A story reflected in all aspects of daily life, and, above all, a story of our potential to change lives.

PPC. Our strength, your vision.

HOW TO READ OUR INTEGRATED REPORT

Our integrated report provides cross-references using these icons:


Related information in this report


More information on www.ppc.co.za

ABOUT THIS REPORT

Report profile

This integrated report covers PPC's financial and non-financial performance between 1 April 2016 and 31 March 2017. It follows a similar report produced for the financial period 1 October 2015 to 31 March 2016 after the company changed its year-end.

This report should be read together with the supplementary information and complete audited annual financial statements on our website.

We welcome your feedback on our full suite of reports. This should be directed to Siobhan McCarthy, general manager: corporate communications, tel +27(11) 386 9451, fax +27(11) 386 9260, email Siobhan.McCarthy@ppc.co.za.

For further details on sustainability matters, please contact Tshilidzi Dlamini, PPC general manager: group sustainability services, tel +27(11) 386 9122, fax +27(11) 386 9117, email tshilidzi.dlamini@ppc.co.za.

Details for obtaining copies of the integrated report from the PPC company secretary are on the inside back cover.

Report boundary

Disclosure covers all PPC's:

- cement manufacturing plants, milling facilities and sales depots in the southern Africa segment (South Africa and Botswana) as well as the rest of Africa (DRC, Ethiopia, Rwanda and Zimbabwe)
- manufacturing, blending and batching facilities together with the aggregate quarries in the materials business (lime, readymix and aggregates)

We have also included an analysis of external factors that may have a significant effect on PPC's ability to create value.

Report scope and materiality

The scope of this report includes the most material financial and non-financial issues for our group. Determining materiality is a comprehensive process that combines risk identification and assessment with strategic objectives, stakeholder feedback, market conditions and our own performance to prioritise issues that are key to our sustainability now and in the future. Where relevant, we detail material issues at project or business unit level. Ordinarily, these matters are those that are discussed at board and executive meetings. The process of determining materiality is:

Step 1 Identifying relevant internal and external matters (with consideration of risk register and the internal and external environments)

Step 2 Evaluating the importance of matters identified (with consideration of magnitude of the impact and likelihood of occurrence)

Step 3 Prioritising matters (with application of materiality filters and analysis)

The framework and method used to quantify or evaluate material matters utilises a five by five scale where both impact and likelihood is considered.

Impact

- Negligible
- Marginal
- Serious
- Critical
- Catastrophic

Likelihood

- Almost certain – 81% to 100% probability
- Likely – 61% to 80% probability
- Moderate – 41% to 60% probability
- Unlikely – 21% to 40% probability
- Rare – 0% to 20% probability

This methodology has been adopted by the board.

For the reporting period, our key material inherent risks, at group level (page 22) were:

- Declining profit margins and volumes
- New projects not achieving forecast volume, prices and market share
- A major investment not achieving expected business case returns
- Group capital structure not effectively managed

KEY MILESTONES

1892 **PPC Ltd** established as De Eerste Cement Fabrieken Beperkt, in Hercules, Pretoria

1902 Changed its name to **The First Portland Cement Factory Limited**

1908 Name changed to **Pretoria Portland Cement Company Limited**

1910 JSE PPC listed on the **JSE**

Maiden dividend starts a tradition unbroken for over a century

Union Buildings (Pretoria, 1913)

1916 **PPC Slurry** produced its first cement

1921 **De Hoek Factory** built in Western Cape

Loftus Versfeld (Pretoria, 1923)

1927 Cement factory built in **Port Elizabeth**

PPC's capitals

In line with the IIRC framework, we have considered the resources and relationships used and affected by PPC. These are referred to collectively as the capitals and encompass financial, social and relationship, manufactured, human, natural and intellectual. How we interact with our external environment and these capitals underpins our ability to create value over the short, medium and long term. Please see our value creation model on page 34 for details.

Significant changes in the review period

This was the first 12-month reporting period since PPC changed its financial year to March. In the period the company raised R4 billion through a rights issue, and R1,1 billion through the maturity of BEE 1.

Assurance

As a listed company, PPC complies with all relevant procedures in preparing its annual financial statements. These were audited by Deloitte & Touche, whose unmodified report is on page 142. Certain sustainability indicators were also assured by Deloitte & Touche (page 138).

Board approval

The board acknowledges its responsibility to ensure the integrity of the integrated report. Board members have applied their collective mind to the preparation and presentation of this report and believe it is presented in accordance with the IIRC framework.

The board has delegated the responsibility to ensure the integrity of the integrated report to the audit committee, which committee is happy to recommend that the board approve this report.

Peter Nelson
Chairman
12 July 2017

Darryll Castle
Chief executive officer

For details of our annual general meeting, refer to our notice of AGM 2017 at **www.ppc.co.za**

REPORTING PRINCIPLES AND APPROACH

PPC's integrated report clarifies the link between our financial and non-financial performance (environmental, social and governance), contextualises our risks and opportunities and summarises our engagement with stakeholders. These were key inputs in refining our business strategy (page 7). We report on our performance against strategic objectives where possible.

The following frameworks were applied in preparing this report:

- The International Integrated Reporting Council (IIRC) framework on accepted best practice in annual reporting. In determining the content that presents a complete view, we follow the IIRC's guiding principles: strategic focus and future orientation; connectivity of information; stakeholder relationships; materiality, conciseness, reliability and completeness; and consistency and comparability
- Guidelines of the Global Reporting Initiative on sustainability disclosure (GRI G4). PPC reports against the latest guidelines (G4) for the second time
- International Financial Reporting Standards (IFRS)
- South African Companies Act
- JSE Limited (JSE) Listings Requirements
- King III recommendations

SUPPLEMENTARY INFORMATION

In addition to this integrated report, please see supplementary reports at www.ppc.co.za.

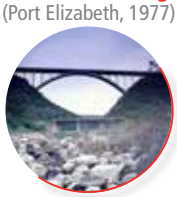
- Annual financial statements
- Summarised group results and notice of annual general meeting 2017

Harare City Hall
(Harare, 1933)

PPC Jupiter started up in Germiston, just outside Johannesburg

1937

Van Staden's Bridge
(Port Elizabeth, 1977)

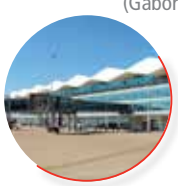


Construction of **PPC Riebeeck** in the Western Cape

Entered lime industry by acquiring **Northern Lime Company**

1977

Sir Seretse Khama Airport
(Gaborone, 1984)



PPC built and mothballed **Dwaalboom plant** in economic recession; recommissioned the plant in 1998

1996

Laezonia aggregates quarry acquired

SUREBUILD brand launched

Botswana blending plant commissioned

1997

PERFORMANCE HIGHLIGHTS

FINANCIAL CAPITAL

Rest of Africa (RoA) contribution to EBITDA increased to

31%*

(2016: 23%) * Excludes Botswana as per our segmental

Cost containment – administrative and operating costs fell

2% to

R1 049 million in spite of the acquisition of 3Q during the year (2016: R1 065 million)

As a result of the rights issue and unwinding of BEE I, net debt:EBITDA ratio decreased from

3,7x to 2,3x

as net debt declined from R8,7 billion in 2016 to R4,7 billion in 2017

SOCIAL AND RELATIONSHIP CAPITAL

Completion and handover of BWP4 million house to winner of *PPC Building Dreams* competition in Botswana

Comprehensive programme **significantly reducing malaria** prevalence at our DRC project and adjacent villages

Reached 10 500 learners

across **12** schools in South Africa with **mobile science lab** project

BEE procurement spend of R4,8 billion exceeded dti's revised compliance target of 80% – **level 3 contributor to broad-based black economic empowerment** in terms of **enterprise** and **supplier** development

Partnered with **Protea player, Temba Bavuma's foundation** to support cricket development in Gauteng

KEY MILESTONES

Medupi power station (Lephalale, 2008)

Acquired **Portland Holdings** in Zimbabwe

Acquired **Mooiplaas dolomite quarry**

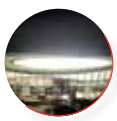
2001

R3,9 billion broad-based black economic empowerment transactions

2008

PPC listed on **JSE** for **100 years**

2010



Cape Town Stadium (Cape Town, 2010)

Kigali city tower (Kigali, 2011)

PPC/IDC acquired a stake in Habesha Cement, Ethiopia

Name changed to **PPC Ltd**

Acquired **Quarries** Botswana

2012

Acquired a stake in **CIMERWA, Rwanda**

Acquired a stake in **Safika Cement**

PPC Zimbabwe centenary

2013

MANUFACTURED CAPITAL

PPC Harare commissioned and officially opened by **President Mugabe.** The project was completed on time and under budget.

Hot commissioning at PPC DRC Barnet started in February 2017 after **bulk power supply to the plant was completed,** with first cement and clinker produced in March 2017

Habesha cement plant inaugurated after year-end by Prime Minister Desalegn in April 2017, started production in May 2017

Major construction **projects secured** in Botswana, including **Boatle** highway, **Shakawe** Primary hospital and **Kazungula** bridge

HUMAN CAPITAL

According to the latest climate survey, employee engagement level remains high (76,2%) despite challenges of the past year

Project Msasa, the new milling plant in Harare, **successfully** commissioned with **zero LTIs** over construction period of 22 months

NATURAL CAPITAL

Dwaalboom kiln (DK1) electrostatic filter converted to a baghouse, **reducing dust emissions** to less than 30mg/Nm³ in line with 2020 minimum emission standards well ahead of schedule

ISO 14000 environmental management systems certification at Bulawayo and Colleen Bawn in Zimbabwe

PPC recorded **41% improvement** in dust emissions, relative to the last financial year

Classified waste streams to **ensure** their disposal complies with regulations by August 2016 deadline

INTELLECTUAL CAPITAL

240 engineering learners have qualified from our accredited Technical Skills Academy since 2002

Successfully commissioned three greenfield projects, demonstrating our ability to deliver complex projects abroad

2014

Acquired **Pronto Readymix**

Construction of mill in Harare, Zimbabwe

2015

New 600 000tpa plant commissioned in Rwanda

Construction of **Slurry kiln 9** started

2016

Acquisition of 3Q Mahuma Concrete

2016

Zimbabwe's new milling plant, PPC Harare, commissioned

2017

PPC Harare officially opened by Zimbabwe's President Robert Mugabe

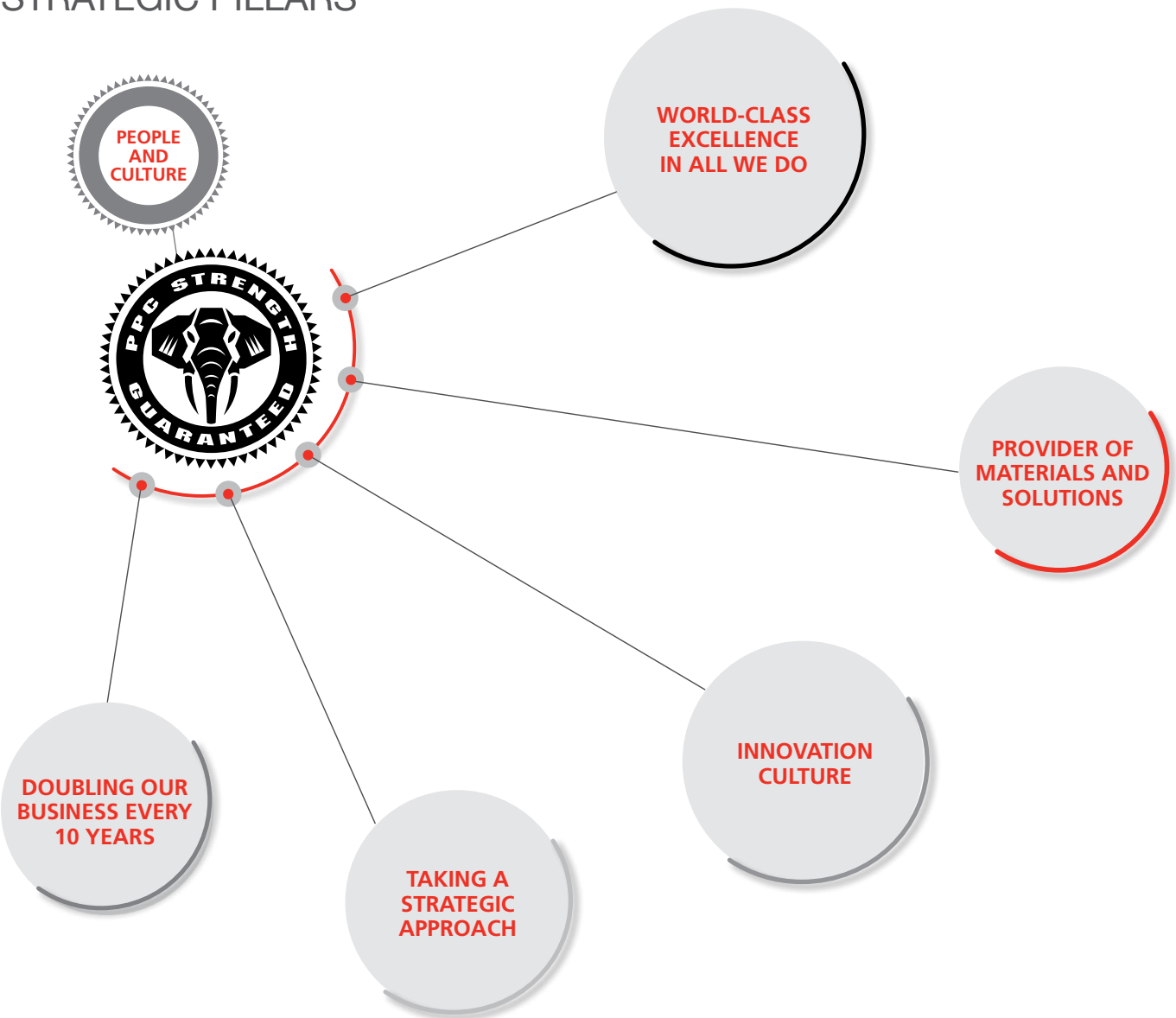
PPC Barnet DRC hot commissioned

Habesha cement plant inaugurated by Prime Minister Ato Hailemariam Desalegn, of the Federal Republic of Ethiopia

OUR VISION

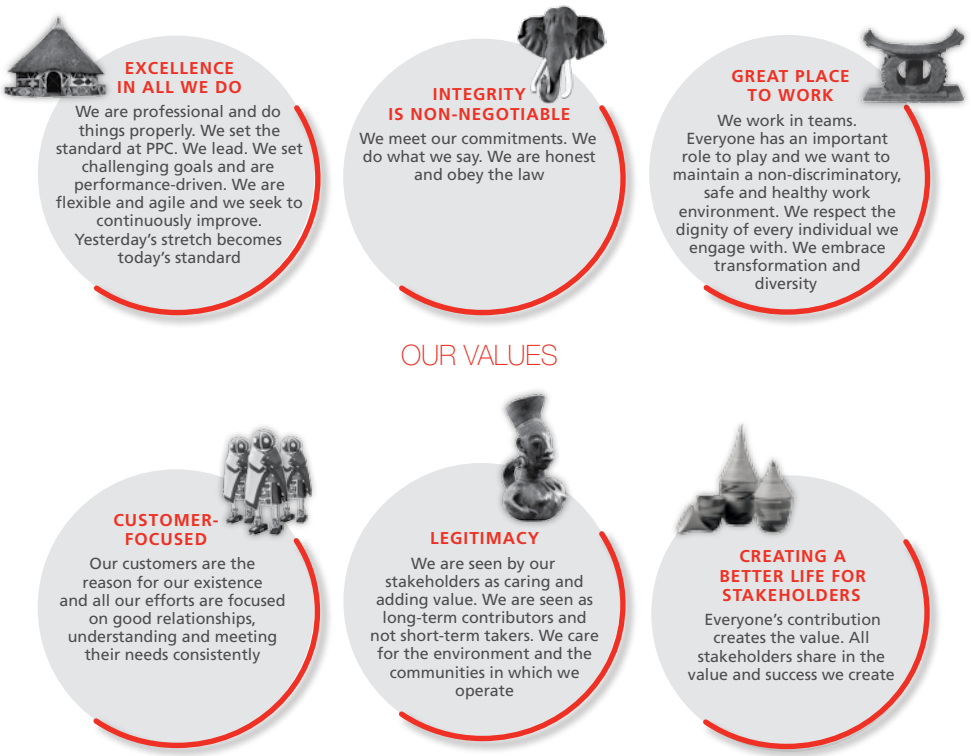
A world-class provider of materials and solutions into the basic services sector, taking a strategic approach to doubling our business every 10 years.

STRATEGIC PILLARS



OUR VALUES

We are in the process of reviewing our values and aligning them with the revised strategic direction of the group.



STRATEGY REVIEW

Our strategic aspiration is exceeding the expectations of all our stakeholders on a sustainable basis. Achieving this strategic aspiration requires fundamentally changing our corporate culture while excelling at these five pillars of our strategy.

Our vision and strategy, approved in 2015, has at its core two fundamental drivers:

- We believe in the Africa Rising narrative over the long term; our strategy is premised on a view of how our continent will look in 2050. According to the Mo Ibrahim Foundation, the next 35 years will see Africa's urban population grow to 900 million, the highest rate in the world while, concurrently, governance and institutions on the continent improving. We reiterate this belief in the Africa Rising narrative and believe that PPC can participate in this long-term upward trajectory.
- Secondly, our analysis showed that PPC was anomalously focused on cement to a greater extent than all of its peers. We believe that the infrastructural growth in Africa will provide (and indeed require) many related products and services. PPC should be ideally suited to diversifying its revenue streams on the back of this trend and requirements, making PPC a more stable earner with a higher average growth rate.

When considering our vision and strategy, we overlay different time-bound dimensions to its achievement. There are short-term (one to two years), medium-term (two to four years) and long-term (four to 10 years) elements to our vision and strategy which are both fluid (with overlap) and discrete in nature. Management's key focus may well be on the short-term elements of the strategy currently. However, work is certainly under way to position the company to enable it to deliver on its medium and long-term goals and aspirations. Below, we summarise how these time-bound dimensions apply to our five strategic pillars:

STRATEGY REVIEW continued

Strategy implementation

WORLD-CLASS EXCELLENCE | PROVIDER OF MATERIALS AND SOLUTIONS | INNOVATION CULTURE | TAKING A STRATEGIC APPROACH | DOUBLING OUR BUSINESS EVERY 10 YEARS

SHORT TERM (ONE – TWO YEARS)

Capital conservation and generation

Reaffirming PPC's position as an industry leader, gaining the confidence of all its stakeholders and positioning PPC for future growth.

1. Balance sheet further strengthened and enhanced
2. Optimise existing cement operations in Botswana, Rwanda, South Africa and Zimbabwe and the materials business
3. Ramp-up new operations and successfully complete projects in the DRC, Ethiopia, South Africa and Zimbabwe

MEDIUM TERM (TWO – FOUR YEARS)

Consolidate for growth

Enable delivery of PPC's long-term strategy through the development of relevant and efficient structures, effective people strategies and leveraging intellectual property and expertise.

Capital conservation and generation

1. Performance-driven culture
2. Positive return on innovation solutions
3. Commitment to world-class standards
4. Strive for technical excellence that will manifest itself in a cost leadership philosophy

LONG TERM (THREE+ YEARS)

Expansion

Leverage achievement of short and medium- term objectives to facilitate the long-term strategic objective of doubling the business every 10 years.

Capital conservation and generation

Consolidate for growth

1. Deep understanding of the locations, owners and influencers of all relevant inputs, businesses and markets
2. Utilise our strength to become a major global cement player
3. Investment into adjacent and transformational businesses

PEOPLE AND CULTURE

In the short term, the company's focus is to ensure that:

- Predominantly, the projects in the rest of the continent are completed on time and under budget
- The business plans of new operations meet their planned operating and financial objectives
- The existing cash-generating business units improve revenue and continue to drive cost and efficiency improvements
- The balance sheet has sufficient liquidity and strength to weather cyclical turbulence in the operating environment
- Risk is reduced to acceptable levels in all operating entities
- The empowerment credentials of the company are improved
- Our people structures, processes and operating architecture are optimised to ensure the effective delivery of our strategy

Success with our short-term strategic objectives will enable us to effectively pursue our medium and long-term strategic objectives. In the medium term, the focus will move to the effective repositioning of the company to allow it to deliver on the long-term aspects of the strategy. Specifically, a focus on enhancing our overall intellectual property in order to provide products and services to a wider clientele without taking the focus off our core cement making and materials businesses. We will endeavour to better understand the drivers, risks and trends in each of our regions in order to position ourselves to capture emerging growth opportunities. Once we have satisfactorily achieved our short and medium-term objectives, and depending on the prevailing business cycle dynamics, we will then be in a better position to pursue and execute our long-term strategy. In the long term, we want to double our business every 10 years. Ultimately, this will be achieved by growth in our existing markets and territories but will also require investment in adjacent and transformational businesses related to our inputs, processes and products. Our existing markets on the African continent continue to present a unique growth opportunity and we will ensure that our market share is at least maintained in line with the growth prospects on the continent. Effectively, through our strategic work in the medium term, we will have a deep understanding of the locations, owners and influencers of all relevant inputs, businesses and markets and this will allow us to leverage our position in order to maintain and extend our influence and growth. This strength will allow us to ultimately become a major global cement player, growing out of Africa.

Performance against strategy

In this integrated report, we provide our assessment of the company's performance against the short-term objectives of our strategy:

As stated above, the achievement of our vision, strategy and strategic aspiration requires changes to our corporate culture. The people and culture work that is under way acknowledges that the successful delivery of excellence, innovation and solutions requires shifts in people and culture dynamics. Below, we provide an update on our progress with our strategies:

Strategic pillar: World-class excellence

Strategic objective	Progress	Rating	Outlook	Related info on page
Cash generating units maximise revenue and optimise costs and efficiencies	Group revenue increased 5% to R9,6 billion, supported by the rest of Africa cement business which grew revenue by 9% and the aggregates and readymix segment which grew revenue by 23%	Achieved	Continued focus on cost and efficiency optimisation while maximising revenue opportunities	40, 143
	Revenue in PPC's southern African cement business (South Africa and Botswana), which was impacted by intensified competition and high rainfall during the first two months of 2017, was flat with the 2% increase in cement sales volumes offset by lower selling prices	Work in progress	Subdued economic growth, fixed investment and household expenditure in South Africa expected to constrain meaningful growth in cement volumes. Botswana's economy, however, is expected to begin improving	54
	Overall volumes in Zimbabwe ended down 3% and selling prices in US dollars were 10% lower. This performance although better than expected, is reflective of the economic headwinds and liquidity challenges in the market	Did not achieve	Continued focus on cost and operational efficiencies, route-to-market initiatives and product innovation	63
	Rwanda's CIMERWA increased its contribution to group sales in its first full financial year of operation. Sales volumes of 310 000 tonnes was achieved while gradual ramp-up ensured minimal disruption to prevailing market prices	Achieved	CIMERWA continues to focus on developing transport capacity within Rwanda to support growing volumes and the use of alternative fuels to reduce reliance on coal	62

Achieved | Did not achieve | Work in progress

STRATEGY REVIEW continued

Strategic objective	Progress	Rating	Outlook	Related info on page
Strategic pillar: Provider of materials and solutions				
Acquisitions in the materials business integrated effectively	– 3Q Mahuma Concrete acquired effective 1 July 2016; integration with Readymix business progressing in line with expectations		– Leverage acquisition to enhance channel management and increase revenue streams	67
Strategic pillar: Innovation culture				
Creation of an innovation process to harness benefits of innovation ideas	– The company has implemented a best practice web-based idea management system to encourage a bottom-up flow of ideas, ensure continuous feedback and remove barriers to implementation		– Further entrenched use of the innovation platform with future capability-building plans including idea development and collaboration with customers, suppliers and partners	49
Creation of an innovation culture as the core driver of the business	– The innovation platform has gone some way to begin to change the culture of the organisation; however, there is still some resistance to fully adopting this culture due to time constraints and prioritisation – 36 ideas implemented with projected gross saving of R2,9 million		– Work is under way in collaboration with the human resources team to embed an innovation culture throughout the organisation as part of the culture transformation journey we have embarked on	
Strategic pillar: Taking a strategic approach				
Risk mitigation strategies effectively deployed	– DRC – strategies to reduce the risk of the project to PPC are being explored		– Conditions in the DRC continue to deteriorate, requiring a strategic review of the project	60
	– Some improvements have been made in effective liquidity, working capital and covenant management		– Further improvements to be done in modelling and forecasting to ensure effective and transparent monitoring of liquidity and covenants	40
	– Some improvements made with strengthening of risk processes and compliance function		– Further embedding of improved risk culture and stress testing with work required to enhance the compliance function	84
Improvement of company's empowerment credentials	– PPC's ownership credentials reduced post rights offer and winding up of elements of BEE I – work is under way to implement BEE III		– BEE III to be implemented in compliance with mining charter requirements	40
	– BBBEE empowerment scorecard has improved from level 8 to level 4 contributor		– Continued emphasis on maintaining and improving BBBEE rating	174
Strategic pillar: Doubling our business every 10 years				
Projects executed timeously and cost effectively	– Zimbabwe milling project concluded on time and below budget		– Provisional acceptance certificate received and official state opening in March 2017	63
	– Ethiopia project executed timeously and cost effectively		– Hot commissioning under way in March 2017 with official state inauguration of plant in April 2017	61
	– DRC project slightly later than schedule due to delays in electrification of plant and 4% to 6% above initial budget – Project cost approximately US$300 million (previously US$280 million)		– Post commissioning of plant, first truck load of saleable cement in mid-April 2017	60
	– Slurry kiln 9 (SK9) project progressing timeously and cost effectively		– On schedule for commissioning in 2018	55
Meeting of business plans in new operations	– Satisfactory volume ramp-up and pricing achieved in Rwanda		– Enhanced route-to-market strategy expected to improve sales volumes and market penetration	62
	– Increasing of market share in Harare area post commission of new mill		– Increased emphasis on route to market strategies to improve market penetration	63
Balance sheet further strengthened and enhanced	– Rights offer and BEE I proceeds have significantly degeared the balance sheet		– Rights offer process successfully concluded and winding up of residual matters relating to BEE I under way	40
	– Lengthening of terms of remaining debt on the South African balance sheet under way		– R1,6 billion of debt on the South African balance sheet extended six months to June 2018	40

At the centre of our strategy are our people and culture

Strategic objective	Progress	Rating	Outlook	Related info on page
Delivery of excellence, innovation and solutions requires shifts in people and culture dynamics	– Key frameworks established for integrated talent management, leadership development and performance management		– Effective implementation of key frameworks for talent management, leadership development and performance management	110
	– Work to redefine PPC cultures and values under way		– Finalisation and implementation of PPC culture and values work streams	109
	– Work on defining internal processes and operating architecture largely concluded		– Roll out of defined internal processes and entrenchment of matrix organisational structure	

STRATEGY REVIEW – KEY STAKEHOLDERS

In line with best practice, our strategic approach aligns itself to the principles of sustainable value creation, whereby we appreciate that strategy, risk and opportunity, performance and sustainable development are all inseparable elements. Moreover, in line with best practice, we have ensured that our disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner. Specifically, there is a direct link to which remuneration and incentives have been aligned to performance and sustainable value creation. Our short-term incentive scheme detailed in the remuneration report on page 91 captures company performance as well as personal performance. The scorecard for company performance includes financial and non-financial targets detailed on page 95. Specifically, the financial performance elements include EBITDA, normalised HEPS and the cash conversion ratio achieved while the non-financial performance elements include transformation, sustainability and safety. Personal performance of executives is then scored largely on the achievement of the short-term elements of the company's strategy as highlighted in the table above. The CEO's scorecard is derived from the strategy and cascaded to members of the group executive committee and thereafter to the organisation as a whole. Collectively, these two dimensions (company and personal performance) drive the outcomes of the short-term incentive scheme and consequently the incentive payable. Similarly, our long-term incentive scheme, detailed on page 92 follows that same philosophical approach of aligning performance to sustainable value creation for the benefit of all stakeholders.

Stakeholders are reminded that in the 2016 year, no short-term incentives were paid due to the subdued performance of the company and the financial position of the company. This was done despite the company attaining some of the targets set out in the short-term incentive scheme. The rights offer process that the company undertook in 2016 is not seen as a failure of our ability to execute on our strategy but rather a manifestation of a specific risk associated with the accelerated terms of the note programme. This matter is dealt with in greater detail in the chief executive officer's report on page 30. This report also deals with the rationale for the proposed merger of PPC with a local industry player.

Our strategic aspiration is to exceed the expectations of all our stakeholders on a sustainable basis. As an indicator we discuss one measurement indicator per stakeholder group below:

Shareholders/investors	Current status	Impact on value creation	Outlook	Trend
We use return on invested capital (ROIC) as a performance measure as this tracks how well PPC is using funds to generate sustainable returns for shareholders. This measure indicates whether PPC is achieving returns above the cost of capital, to sustainably create stakeholder value. Formula: ROIC is calculated as a percentage of operating profit net of tax, divided by the total assets less cash and current liabilities. The calculation excludes acquired subsidiaries.	Historically, PPC's ROIC range has varied between 25% and 27% while the company was not expanding capacity. Currently, the company's ROIC is 10%, up slightly from last year's 9%. This reflects PPC's capital-intensive expansion phase, focusing on capital expenditure financed by long-term borrowings without a commensurate immediate increase in earnings. The rest of Africa projects have come online and are in the initial ramp-up phase, meaning EBITDA will be generated, but contribution returns will be minimal in the short term.	PPC's expansion phase has impacted shareholder value through increased capex and resultant debt levels which could not be funded and serviced by existing operations. Increased finance costs start to negatively impact as these projects come online, resulting in lower profitability. We envisage that ROIC will improve once we reach steady states in new operations. PPC sets hurdle rates per country as a determinant of investment decisions and evaluation purposes. Hurdle rates and WACC are updated every six months.	We expect ROIC targets for 2018 and 2019 to remain suppressed until new operations reach anticipated returns. Given that the ramp-up phase can take up to three years, the gradual increase in earnings over this period implies a gradual improvement in ROIC. **Risks** The inability to achieve price, volume and cost expectations could negatively impact our ROIC. Political and liquidity risks in countries where we operate could affect the ability to achieve expected business-case returns which would affect ramp-up profitability.	↓

Environment and the community	Current status	Impact on value creation	Outlook	Trend
The cement industry is acknowledged globally as a significant contributor to global greenhouse gas (GHG) emissions. Considering the extent of initiatives aimed at GHG reductions and calls for reporting from organisations like CDP (formerly Carbon Disclosure Project), it is important that PPC has an effective response strategy to climate change. In addition, the South African government has related international obligations that are fulfilled through national inventory reporting and has committed to a peak plateau/declined emissions trajectory to be achieved by legislative mechanisms, eg pollution prevention plans and a carbon tax. Monitoring and reporting is therefore critical: firstly, to meet the expectations of our stakeholders (including government and investors) and to engage effectively with government in the legislative reform process and ultimately comply with those requirements. The cement and lime manufacturing processes release air emissions such as dust, sulphur dioxide (SO_2), and oxides of nitrogen (NO_x).	CO_2 emissions for 2017 were flat at 765kg CO_2 per tonne cement. Reasons: Increased market demand in the Western Cape required starting up less efficient kilns. The less efficient Hercules facility was used while the Dwaalboom bag filter upgrade project was under way. The required product mix impacted our overall cement extension levels. PPC monitors emissions using a combination of continuous emission monitors, portable monitors and biokinetic sampling and gas analysis.	Through our energy-management initiatives, PPC De Hoek's thermal replacement of coal was increased to 10% by using waste tyres, replacing a non-renewable resource. Coprocessing projects will be extended to other PPC facilities. PPC is implementing an energy management system, in collaboration with the National Cleaner Production Centre (NCPC). Replacing electrostatic precipitators in Dwaalboom and Port Elizabeth with bag filters reduced dust emissions by 41%.	Over the medium term, we aim for carbon intensities of finished cement at under 700kg CO_2/tonne. This will be done by reducing the average heat consumption at PPC and increasing the amount of product extension. Our mega-plant strategy, constructing SK9, and integrating efficient technologies in PPC Barnet DRC and CIMERWA will reduce average heat consumption. Strategies to reduce gross and net emissions will also contribute to improved CO_2 performance; particularly driven by biomass and alternative fuels. **Risks** to meeting our targets include changes in demand which require starting up inefficient/old technology that would compromise group performance, while the lack of alternative fuel replacement and biomass opportunities or security of supply could jeopardise our alternative fuels strategy. Aim to measure all emissions in the group using continuous emission monitors.	→

↑ Improving → Similar performance ↓ Deteriorating

Arrows reflect year-on-year trend.

Regulatory	Current status	Impact on value creation	Outlook	Trend
The Department of Trade and Industry's (dti) revised codes of good practice seek to transform the South African economy and a company's BBBEE score indicates its legislated contribution to this goal. As a responsible corporate citizen, PPC has adopted the principles of the revised codes and will continue to contribute to the benefit and growth of the South African economy, particularly skills development and enterprise and supplier development. The revised codes comprise five elements or pillars that affect PPC's stakeholders in various ways. The dti has highlighted priority pillars (equity ownership, skills development and enterprise and supplier development) which will ensure economic transformation, better skills and job creation in South Africa. For most companies, the new codes have meant a substantial drop in their BBBEE level – PPC dropped from level 2 to level 8 in December 2015.	In December 2016, PPC achieved a level 4 BBBEE rating. This significant improvement was reached a year ahead of plan. Areas that improved are skills development – due to enhanced recognition of black unemployed learnerships and PPC's improved efforts to absorb these learners on completion. Reporting on PPC's enterprise and supplier development initiatives also improved this year and optimum recognition was achieved.	A good BEE score makes PPC a preferred supplier to local companies aiming to procure from compliant suppliers to achieve a 100% recognition for procurement spend. Our efforts illustrate a sincere intent to reduce economic inequalities in society and contribute to a better life for all.	Our three-year BBBEE improvement plan focuses on the empowerment priorities of the revised codes and aims to improve black ownership through the planned BEE III transaction. The economic outlook is still a concern that impacts the company's profitability and our ability to fund these initiatives. Nevertheless, PPC aims to maintain a favourable BBBEE rating. Reviewed mining charter was published by DMR following year-end in June 2017.	

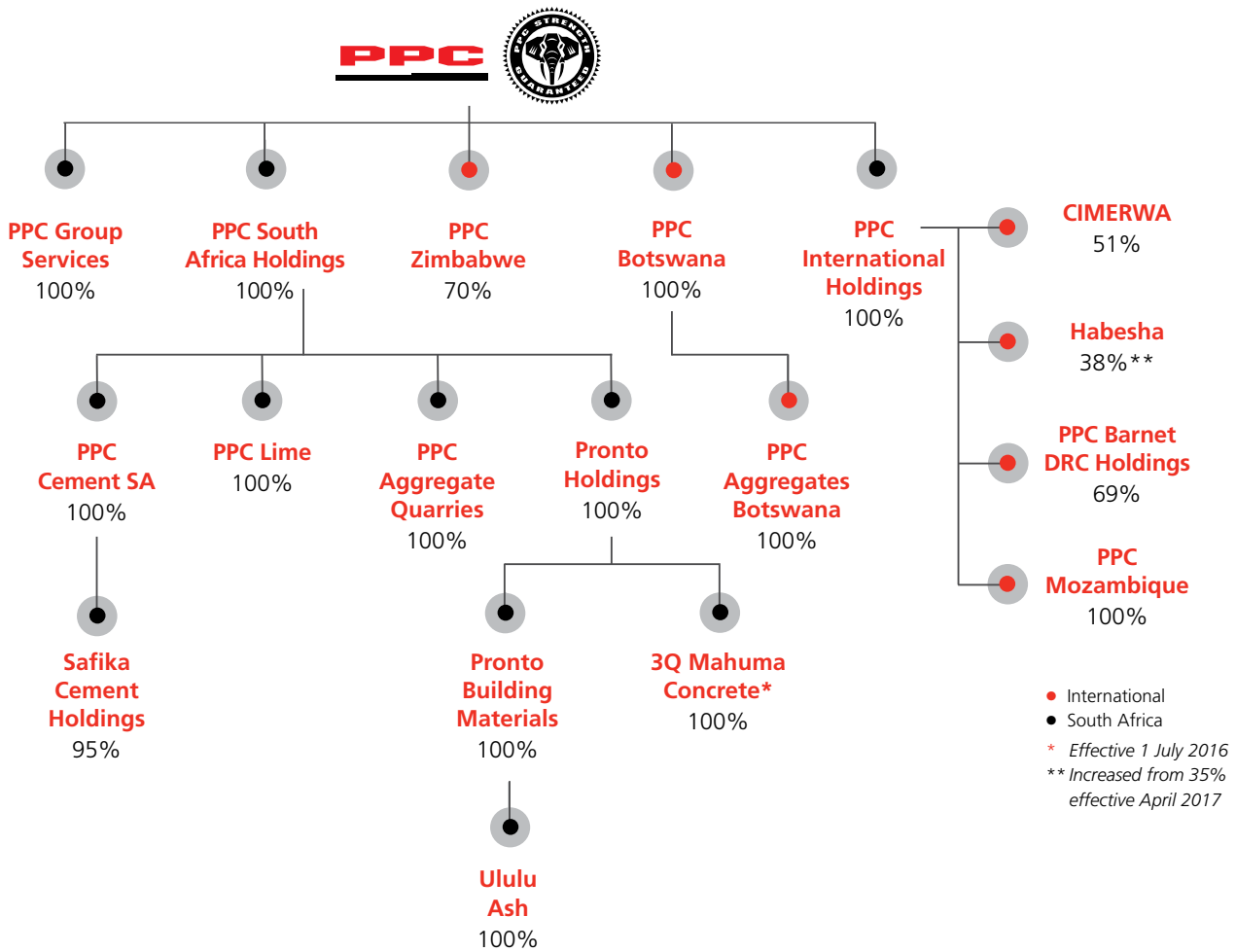
Customers	Current status	Impact on value creation	Outlook	Trend
The customer satisfaction survey is important to PPC as it gives us a multifaceted metric to understand our customers' needs and an indication on how to further improve our business. The survey also provides insights on new requirements, trends and competition. We are thus able to identify opportunities for growth and creating value for our customers. Our response mechanisms, aligned to customer needs, allow us to build strong brand affinity and preference with our customers.	PPC's current group customer satisfaction score is 79%: RSA – 79%; Botswana – 79%; Zimbabwe – 82%; and Rwanda – 72%. Customers noted that our strengths lie in operational excellence, customer service, the PPC brand, as well as consistent product quality. Areas for improvement include a wider product range, pricing, managing rebates efficiently, shopper marketing and increasing technical advice and training in the business-to-business segment.	The bargaining power of customers has increased. Customers are demanding more from suppliers in an increasingly commoditised market. Failure to drive value, add partnerships and offer customised products and solutions will affect our business. Fostering trusted relationships has taken on added significance to manage customer churn.	To achieve our 2020 customer satisfaction score targets (group: 85%, total RSA and Botswana: 85%, Zimbabwe: 86% and Rwanda: 79%), a number of initiatives are under way: – Broaden our range of products and solutions to cover the full spectrum of customer requirements – Use our innovation platform to drive product innovation and improvement – Review the rebate management process and demand creation side of retail – Continue managing relationships and increase the level of expert technical support – Build a strong, differentiated African brand	

Employees	Current status	Impact on value creation	Outlook	Trend
In the previous year, we implemented a climate survey that was conducted independently across PPC to assess morale and identify areas of improvement. The same survey was repeated in 2016 to compare to prior results. The purpose of the climate survey is to continue engaging with our employees to find ways to make PPC a great place to work, with a positive organisational climate and to determine the level of improvement and progress made on issues identified in the 2015 climate survey.	Latest results indicate an overall score of 74,8%, down 0,2%. All nine dimension elements measured scored high, with the top six scoring an average of 76% and the bottom three averaging 71%. The engagement level was maintained at 76,2%, which is a positive outcome given the challenges we faced in 2016. An action plan has been developed to address identified areas of improvement per business area including: – Continued focus on creating a high-performing organisation – Creating an environment where diversity is embraced – Strategic commitment to developing our leadership teams in the way they should lead and enable their teams to achieve PPC's strategic priorities – Robust drive to introduce career pathing to attract and retain talent	An engaged workforce better delivers results and achieves business objectives. A performance management process viewed as fair by employees will effectively embed a high-performance culture. Awareness of company offers is critical to attract and retain talent. Organisations that embrace diversity flourish as they are able to harness the associated value. Cohesiveness and alignment within the leadership team can affect the morale and climate of the organisation, either positively or negatively. All organisations are competing for talent; effective career pathing is a critical tool to attract, motivate and retain talent and to increase the talent pipeline.	In 2017 we will introduce an engagement survey to replace the climate survey. Initiatives will include: – Performance management training for line managers and employees – Awareness sessions on employee value propositions – Diversity management – Leadership development programmes aligned to revised leadership competencies – Career pathing process will be phased in from June 2017 to end-2019	

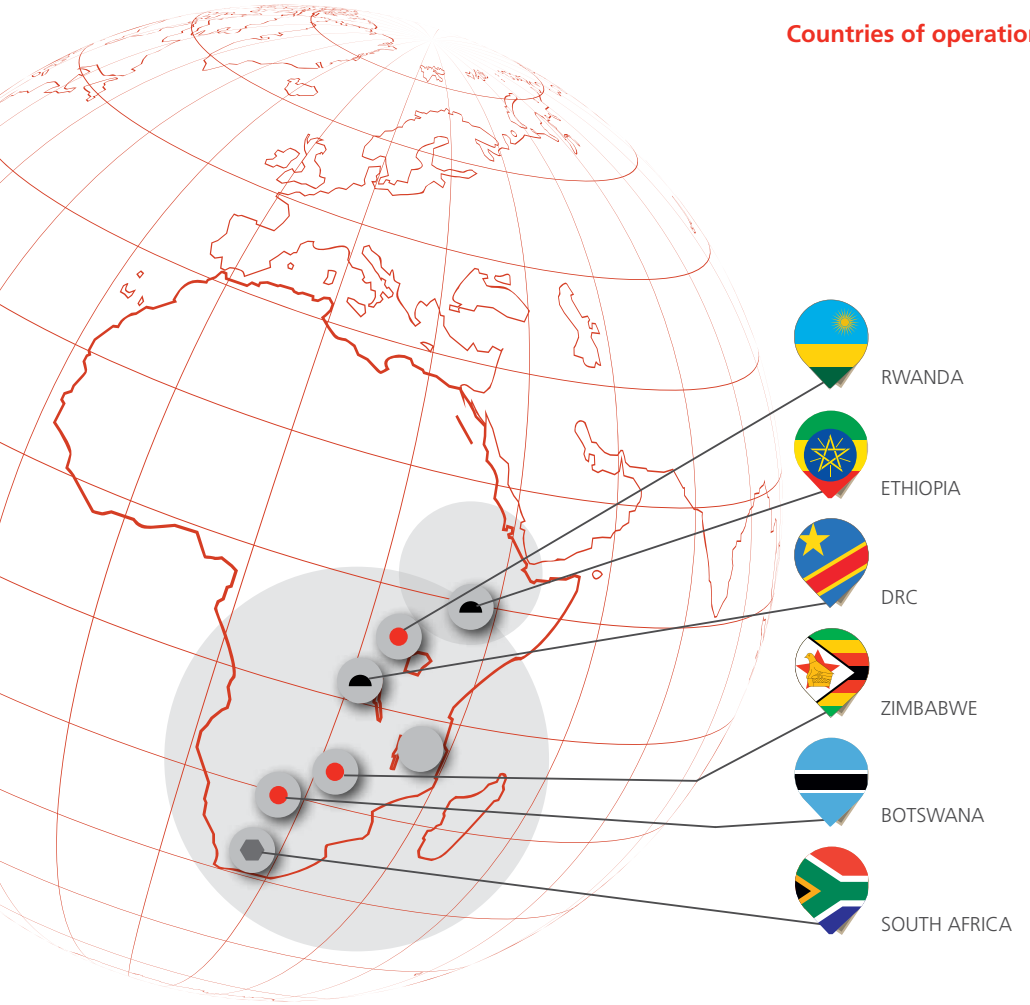
COMPANY STRUCTURE

PPC now operates from 11 cement factories, five milling plants, five blending facilities and 26 readymix batching plants after acquiring 3Q Mahuma Concrete Pty Limited (3Q) and commissioning the projects in DRC and Zimbabwe, and the Ethiopian cement plant which was commissioned after the year-end. We also produce aggregates, milled slag, metallurgical-grade lime, burnt dolomite and limestone. Our Mooiplaas quarry in Gauteng has the largest aggregate production capacity in South Africa.

Our facilities in South Africa, Botswana, Rwanda, Zimbabwe, DRC and Ethiopia have the capacity to produce 11,4mtpa million tonnes of cement products each year and half a million tonnes of fly ash.



OUR FOOTPRINT



MAP KEY

- Current operation
- Current operation and current project
- Recently commissioned

RWANDA

Population (m)	Urbanisation (%)
11,8	28,8

GDP per capita (US$) – 754

- Cement consumption/capita (kg) – **45**
- Real GDP growth (17 – 20E) (%) – **6,9**
- Current national cement production capacity (mtpa) – **0,7**
- Limestone reserves (years) – **12**
- Employees – **248**

ETHIOPIA

Population (m)	Urbanisation (%)
92,7	19,5

GDP per capita (US$) – 846

- Cement consumption/capita (kg) – **120**
- Real GDP growth (17 – 20E) (%) – **7,5**
- Current national cement production capacity (mtpa) – **15**
- Limestone reserves (years) – **47**
- Employees – **306**

DEMOCRATIC REPUBLIC OF THE CONGO (DRC)

Population (m)	Urbanisation (%)
86,7	42,5

GDP per capita (US$) – 474

- Cement consumption/capita (kg) – **23**
- Real GDP growth (17 – 20E) (%) – **3,5**
- Current national cement production capacity (mtpa) – **2,9**
- Limestone reserves (years) – **54**
- Employees – **191**

ZIMBABWE

Population (m)	Urbanisation (%)
16,2	32,4

GDP per capita (US$) – 1 027

- Cement consumption/capita (kg) – **59**
- Real GDP growth (17 – 20E) (%) – **1,1**
- Current national cement production capacity (mtpa) – **2,5**
- Limestone reserves (years) – **41**
- Employees – **428**

BOTSWANA

Population (m)	Urbanisation (%)
2,3	57,4

GDP per capita (US$) – 7 140

- Cement consumption/capita (kg) – **284**
- Real GDP growth (17 – 20E) (%) – **4,2**
- Current national cement production capacity (mtpa) – **0,6**
- Limestone reserves (years) – **N/A**
- Employees – **138**

SOUTH AFRICA

Population (m)	Urbanisation (%)
56,8	64,8

GDP per capita (US$) – 5 589

- Cement consumption/capita (kg) – **243**
- Real GDP growth (17 – 20E) (%) – **1,7**
- Current national cement production capacity (mtpa) – **17**
- Limestone reserves (years) – **240**
- Employees – **2 575**

Source: International Monetary Fund
Not verified by Deloitte for assurance purposes

PPC

WHAT WE BUILD WILL BUILD US

The Kigali Convention Centre is the first convention centre in Rwanda, positioning Rwanda as a hub for East African business by catering to the needs of both local and international business travellers to the region.

PRODUCT:
18 000 tonnes cement supplied by CIMERWA

US$300 million
R3,8 billion

Project cost

KIGALI CONVENTION CENTRE, RWANDA

1.9546° S
30.0939° E

CHAIRMAN'S REPORT

Financial year 2017 was a turbulent period for PPC as we faced numerous challenges, ranging from falling profitability in an increasingly competitive landscape and a difficult economic climate in South Africa to a slowing economy in Zimbabwe and liquidity challenges. While our new plant in Rwanda continued to ramp up, political uncertainty and lower growth expectations in the Democratic Republic of the Congo may affect the prospects of that project.

By the end of 2015, we projected that group debt, arising from our Africa expansion strategy, would peak at R12 billion in 2017. Our plans to raise capital had to be brought forward when, in May 2016, S&P Global Ratings downgraded our corporate credit rating to below investment grade on liquidity and leverage concerns. The severity and timing of the ratings action was unexpected and compelled us to increase the quantum of capital raised to R4 billion. The accelerated terms of the bond programme meant we had to make an offer to buy back the bonds within three days of the downgrade, in turn requiring the board to make a going concern assessment at that point. In short, while the extent of the downgrade was not anticipated, the fact that it triggered accelerated terms for the bond programme made it a matter of critical proportions that cost the company dearly.

In the period we concluded a successful rights offer and reduced the group net debt to EBITDA ratio to 2,3x from 3,7x, significantly strengthening our balance sheet and giving us the opportunity to review our capital structure.

After the strategic black partners and community service groups' components of our 2008 broad-based black economic empowerment (BBBEE) transaction reached the end of the transaction date, PPC received R1 billion on 15 December 2016. This was used to further reduce our debt and fund capital expenditure, particularly the SK9 project in North West province, South Africa.

Against this background, the board focused on restoring the company to a firm footing. This included improving risk and governance processes across the group, driving operational efficiencies and ensuring delivery of short-term priorities such as completing projects. I am pleased to say we have made much progress. The debt and liquidity positions continue to receive our considerable attention in the current economic climate.

In November 2016, the new Harare milling plant was completed and commissioned on time and below budget. PPC Harare was officially opened by His Excellency, President Robert Mugabe, in March 2017.

PPC Barnet DRC is now in production and loaded its first batch of saleable cement in April 2017. Hot commissioning of the 1mtpa greenfield cement factory started in February 2017 after completing the bulk power supply to the plant.

Also in April, the Habesha Cement plant in Ethiopia was inaugurated in the presence of His Excellency, Prime Minister Ato Hailemariam Desalegn. Cement sales started in June 2017.

The SK9 project in North West province remains on track for commissioning in the first half of calendar 2018.

With three of four major projects commissioned, our focus turns to ramping up the new cement plants, the optimisation of production and distribution efficiencies, and consolidating these into the group's operations.

Looking ahead

Our strategic approach aligns itself to the principles of sustainable value creation, integrating strategy, risk and opportunity, performance and sustainable development. The board and management have concentrated on getting the company back on track and positioned for its future, but the year ahead will be challenging given the subdued economic growth and financial pressures in several of our major markets exacerbated by political uncertainties.

Peter Nelson
Chairman

Industry dynamics

The South African cement sector has completed a structural shift as investment shifted from large infrastructure and construction projects to individual home builders.

Two new players have fully integrated into the local market, taking the number of cement manufacturers to six. In our view, given the demand/capacity utilisation ratio, the South African market is poised for consolidation. We are being deliberate and proactive in this regard and, in February 2017, advised shareholders that PPC was formally assessing the merits of a potential merger with AfriSam. Creating a South African cement producer that is financially stronger, operationally more efficient and has deeper technical capability could benefit our stakeholders and the sector.

The merged entity, by virtue of enhanced abilities, will be better placed to invest in growth opportunities domestically and develop as a major African cement producer, given its complementary production assets in six African countries outside South Africa. A merger between PPC and AfriSam, in particular, could result in a significantly empowered entity given the current BBBEE shareholders of both companies and PPC's proposed BBBEE transaction (BEE III).

Although the process is advanced, much work remains to be done and by no means certain. A merger of this size and complexity would change the industry and there are many challenges for the board and shareholders to contemplate. Further updates will be communicated through the JSE's Securities Exchange News Service (SENS) in due course.

South Africa*

The domestic market remains subdued. Manufacturing production decreased by 3,6% in February 2017 year on year (StatsSA, April 2017).

After the country's foreign currency credit rating was downgraded by S&P Global Ratings and Fitch to sub-investment level, the outlook for domestic economic growth is uncertain. The Bureau for Economic Research (BER) reported that "these developments will undoubtedly further constrain the medium-term prospects for the SA economy" and subsequently revised its GDP growth forecast down to 0,3% for 2016, 0,6% for 2017 and 1,3% for 2018. On 6 June 2017, Statistics South Africa announced that the South African economy had moved into recession. This follows a 0,3% and 0,7% decrease in GDP in the fourth quarter of 2016 and first quarter of 2017 respectively.

* Pages 54 – 67

CHAIRMAN'S REPORT continued

Botswana*

According to African Development Bank's African Economic Outlook 2016, Botswana's growth prospects look promising, with real GDP growth projected to pick up slightly in 2017. Improved growth over the medium term is predicated on the government's economic stimulus programme, gradual recovery in the global diamond market, and increased energy availability following remedial measures at Morupule B power station.

Botswana is recording a high rate of urbanisation, with nearly two-thirds of the country's population now living in urban areas. This is positive for cement demand.

Democratic Republic of the Congo*

In 2015, economic growth dropped to 6,9% and is forecast at 2,8% and 4,1% for 2016 and 2017. This has significantly affected government spending. The exchange rate is deteriorating rapidly against the US dollar and CPI is forecast at 33,5% for 2017 (NKC African Economics, DRC, quarterly update, March 2017). Despite the drastic fall in the price of raw materials, macro-economic stability was preserved due to a tightening in tax revenue collection, international reserves and an increase in the current account deficit. To strengthen the economy's stability and resilience to shocks, in January 2016 the government adopted 28 urgent measures, and as part of the strategic national plan for development currently being drawn up, it decided to diversify the country's economy and broaden the value creation chain.

Successfully completing free, democratic elections, initially planned for 2016, is the country's main political challenge to consolidate the achievements of a democratic process that began in 2006 (African Economic Outlook 2016 report).

Ethiopia*

Ethiopia has recorded double-digit economic growth, averaging 10,8% since 2005, mainly underpinned by public sector-led development, according to the African Economic Outlook 2016 report. Real GDP is estimated to have grown by 10,4% in fiscal 2015, 8% in 2016 and analysts expect GDP to grow to 6,9% in 2017 (Ethiopia Economic Outlook, Focus Economics). The agriculture, services and industry sectors accounted for 39%, 47% and 15% of real GDP, respectively. Public investments are expected to continue driving growth in the short and medium term: huge investments in infrastructure and development of industrial parks, prioritised to ease bottlenecks to structural transformation, still have to take shape with industry playing a significant role in the economy (AEO report, 2016).

Ethiopia, the second-most populated country in Africa after Nigeria, is also the least urbanised, at only 19,5%, significantly below the sub-Saharan average of 37%. The urban population has grown at an average 3,8% per annum since 2005 and is expected to triple from 15,2 million in 2012 to 42,3 million by 2037. This could pose a significant development challenge if not addressed. Since 2005, the government has focused more on developing housing, upgrading slums, providing infrastructure and promoting small urban enterprises which should be favourable for our industry.

Rwanda*

The African Economic Outlook 2016 reported average real GDP growth of 6,9% in the first three quarters of 2015 (lower than the 7,2% average for the same period in 2014), in line with the 7,0% target for that year, and led by the services and industry sectors. Moderate growth in the agriculture sector partly reflected fluctuating weather conditions. For 2016 and 2017, sustained investments to address energy and transport infrastructure constraints, continued progression in industry and a recovery in services were expected to support growth. The IMF World Economic Outlook report (April 2017) forecasts a growth rate of 5,9% and 7,2% in 2016 and 2017 respectively.

Cement consumption in Rwanda has been growing faster than production, on average, in the East African Community (EAC) (AIB Capital cement sector report, 2016). EAC member states have prioritised development expenditure, with Rwanda expected to spend US$2,5 billion on infrastructure in fiscal 2016/2017.

Zimbabwe*

The country remains in debt distress, exacerbated by the lack of a diversified export base and declining terms of trade that make it difficult for it to adjust to changing world demand for tradeable goods. These structural weaknesses have constrained its ability to generate the high and sustainable growth required to mitigate debt distress. In addition, the external position is projected to remain under severe pressure in the medium term given poor export and import performance against an appreciating US dollar. The Public Debt Management Act, promulgated in September 2015, is expected to strengthen the legal and institutional framework for debt management.

The fiscal space remains constrained due to underperforming domestic revenues, rising public expenditure, depressed exports, limited foreign direct investment (FDI) and other capital inflows into the country. This has undermined development expenditure and social services provisions in both urban and rural areas, exacerbating the incidence of poverty.

The depreciation of the South African rand against the US dollar has pushed prices of imports from South Africa down. This trend, along with weak domestic demand, tight liquidity conditions and declines in crude oil and global food prices, resulted in negative inflation. Annual average inflation declined from -0,2% in 2014 to -2% in 2015. Inflation is projected to remain negative in 2016 and 2017 (African Economic Outlook report 2016).

* Pages 54 – 67

Strategic priorities for 2018

On the back of a very difficult year, we have adopted a refreshed approach to continually reviewing, assessing and refining our strategic priorities. While our long-term strategy remains intact, our strategic priorities for the next 12 months include debt refinancing, consolidating our projects in Zimbabwe, DRC and Ethiopia, exploring opportunities to derisk our investment in DRC, finalising a new black empowerment deal (BEE III) and concluding our deliberations on the proposed merger with AfriSam.

The investment in the DRC is likely to be more challenging than originally anticipated, given the market dynamics in that country and the funding structure.

These strategic factors naturally impact any decisions the board will make in relation to dividends, and will need resolution before we are able to make any commitments with regard to dividends in the near future.

Changes to the board

After Bheki Sibiya's retirement, I was appointed chairman on 24 October 2016.

I am assisted by a capable team of 12 directors, the majority of which are non-executive directors, with an independent majority as per JSE Listings Requirements.

Bridgette Modise, who was required to retire by rotation at the shareholders meeting on 31 October 2016, decided not to stand for re-election. Bridgette was appointed to the board in 2010 and her contribution often extended beyond the ordinary course of business. The board extends its thanks to Bridgette and wishes her well in her future endeavours.

Nonkululeko Gobodo was appointed a non-executive director from 8 February 2017. Her appointment will be tabled at the upcoming annual general meeting (AGM) for confirmation by shareholders.

In addition, membership of some board committees has changed. Nicky Goldin joined the audit committee to serve with Todd Moyo and Tim Ross. Nonkululeko Gobodo also joined the audit committee on 8 February 2017.

Timothy Leaf-Wright was appointed chairman of the risk and compliance committee on 31 October 2016.

Appreciation

Over the past year, the board and management of PPC have faced many challenges, often navigating uncharted territory. On behalf of the board, I thank Darryll Castle, his management team and the rest of Team PPC for their hard work and resilience in this challenging period. It was an unusually difficult year in which many advances and achievements were masked by the liquidity, debt and market constraints and significantly reduced profitability. Team PPC were up to the challenge.

Thank you to my fellow board members for your continued diligence, counsel and support.

As we celebrate PPC's 125th birthday, I'd like to extend a special word of appreciation to our customers, employees, stakeholders and partners for your ongoing support and the invaluable role you continue to play in our success.

Peter Nelson
Chairman
12 July 2017

MATERIAL ISSUES

Evaluating our strategic objectives, stakeholder engagement and comprehensive risk assessments, we have identified the material issues our stakeholders need to consider.

Determining materiality is a comprehensive process that combines risk identification and assessment with strategic objectives, stakeholder feedback, market conditions and our own performance to prioritise issues that are key to our sustainability now and in the near future. Refer to page 2.

A continuous cycle of inputs, evaluation and prioritisation from divisional, operational, executive and board assessments is used in determining our most material issues. See our risk report on page 84.

In reading the table below, please refer to our accompanying risk ranking tables. The tables, using the symbol linked to the specific material issue, visually depict where that particular material issue sits within our risk matrix; using likelihood of event and impact/consequence of that event as the key axis. In this year's integrated report, we have moved beyond only reflecting the inherent risk* ranking but have also included the residual risk ranking. The residual risk** ranking takes into account our perception of the effectiveness of our strategic interventions at reducing the impact of the associated material issue. By their very nature, business risks are dynamic and ever changing. The tables below reflect the board's assessment of the risks and their potential impact on the business as at the end of the financial year and confirmed at its meeting on 27 March 2017.

Our strategic interventions are aligned to the five pillars of our strategy. More information on the strategic pillars is available on page 6.

Risk ranking	Material issues	Potential impact on value creation	Strategic pillar and strategic response
●	**Declining profit margins and volumes** Intense competitor activity due to new entrants and imports leading to falling selling prices and volumes in existing markets Inherent risk ranking: Almost certain, critical	Inability to maintain profit margins in most operating regions due to falling selling prices threatens the sustainability of the organisation while achieving lower volumes in some regions leads to a reduced ability to absorb fixed costs	**Excellence in all that we do; innovation** – Continue efforts to reduce cost to serve through combining optimal sourcing and increased capacity utilisation of our most thermally efficient plants and equipment – Intensify focus on customer service and innovative technical solutions – Continue efforts to effectively monitor import activity and strengthen government liaison to minimise dumping activity Residual risk ranking: Likely, critical
✕	**New projects not achieving forecast volume, prices and market share** Macro-economic and geopolitical changes on the African continent, as well as capacity increases in some regions have led to reduced prices and demand of cement Inherent risk ranking: Almost certain, critical	New projects have been financed with a combination of debt and equity. Inability to achieve forecast volumes and prices reduces the ability of the new projects to meet their financing obligations which could put a strain on the group balance sheet	**Taking a strategic approach** – Continuous assessment of sales, marketing and route to market strategies and increase agility to adapt to any changes in the environment – Offer customers a compelling value offering to encourage brand loyalty – Maintain good relationships with lenders in order to facilitate relaxation of covenant agreements or financing obligations where required – Ensuring costs are kept low but ensuring businesses remain sustainable to protect margins notwithstanding lower prices and volumes Residual risk ranking: Likely, critical
■	**A major investment not achieving expected business case returns** Investments into the rest of the African continent carry sovereign, operational and financial risks Inherent risk ranking: Almost certain, critical	Commercial feasibility studies that were initially done on the African expansion projects were inaccurate or negatively affected by changes in the operating environment leading to the risk of major investments not meeting expected business case returns. This could lead to impairments of these investments	**Taking a strategic approach** – Regular risk assessments and reviews to mitigate forecast risks, impairment of assets and any challenges with repatriating of funds – Effective use of board and management structures to review risks, including investment committee reviews, project risk committee assessments and quarterly business reviews – Continue to strengthen relationships with relevant government authorities as well as with our in-country equity partners Residual risk ranking: Likely, critical
▲	**Group capital structure not effectively managed** Balance sheet weakness due to project debt concurrent with falling profit margins in existing operations Inherent risk ranking: Moderate, catastrophic	Recent rights issue process has increased capital on the balance sheet; however, adverse outcomes in particular the DRC could cause some weakness in the group capital structure	**Doubling our business every 10 years** – Refinancing of residual debt on the PPC SA balance sheet under way to lengthen the term of that debt – Intensify covenant compliance and proactive engagement with lenders on potential covenant breaches – Maintain committed facilities – Engage with lenders on the DRC capital repayments Residual risk ranking: Unlikely, catastrophic
⬢	**New imports into the PPC markets** Cement imports continue to trade in South Africa, Rwanda, Zimbabwe and the DRC Inherent risk ranking: Almost certain, serious	The influx of imports into operating geographies reduces the ability to maintain profit margins due to the pressure on selling prices and volumes	**Taking a strategic approach; innovation** – Monitor incoming imports and ensure regulatory compliance is adhered to – Continue to engage with various government entities regarding anti-dumping duties – Continue to ensure that PPC delivers high quality, value-for-money products Residual risk ranking: Moderate, marginal
⬬	**Unintended non-compliance with legislative requirements** The company strives to comply with all relevant mining charter and BBBEE requirements in South Africa Inherent risk ranking: Likely, critical	Inability to meet legislative requirements impairs the ability of the company to tender for business and may lead to revocation of mining rights	**Taking a strategic approach** – The company achieved a level 4 BBBEE empowerment rating in accordance with the revised codes of good practice in December 2016 – In order to maintain and improve this outcome, the company has embarked on a new empowerment plan (BEE III) which will be implemented during the 2017 calendar year Residual risk ranking: Unlikely, marginal

Risk ranking	Material issues	Potential impact on value creation	Strategic pillar and strategic response
◣	**Stagnant SADC economy and political uncertainty in our operating regions** Slowing regional SADC growth in the face of increased cement capacity Inherent risk ranking: Likely, serious	Economic and political uncertainty leads to sub-optimal trading outcomes that adversely affect profit margins and ability to service financing obligations	**Excellence in all that we do** – Continuous assessment of sales, marketing and route to market strategies and increase agility to adapt to any changes in the environment – Offer customers a compelling value offering to encourage brand loyalty – Maintain good relationships with lenders in order to facilitate relaxation of covenant agreements or financing obligations where required Residual risk ranking: Moderate, serious
▮	**Undervalued share price** Inherent value of PPC not reflected in current valuations, hindering the ability to fund growth and execute strategy Inherent risk ranking: Likely, serious	An undervalued share price erodes shareholder value and confidence in the board and management of the company	**Excellence in all that we do** – Continue to ensure comprehensive reporting of progress with strategy – Effective delivery of projects to demonstrate ability to execute complex and multi-dimensional projects and bring the associated earnings into the income statement – Improve transparency of information to enhance ability to conduct valuations on PPC Residual risk ranking: Likely, serious
▥	**Risk of administrative and/or control deficiencies in new business environments** Increased complexity due to operating in a number of diverse geographies Inherent risk ranking: Moderate, critical	A compromised control environment can lead to inaccurate reporting thereby undermining confidence in the board and management of the company	**Excellence in all that we do** **People and culture** – Ensure appointment of appropriate personnel across all jurisdictions – Implement PPC standards and procedures for all projects at inception – Introduce sound system integration processes – Monitor and understand changes in legal, accounting and taxation regimes Residual risk ranking: Unlikely, critical
▲	**Lack of required local skills in some jurisdictions to effectively support our strategic and operational needs** Lack of required cement industry experience in some geographies coupled with challenges in recruiting for remote rural locations Inherent risk ranking: Almost certain, serious	Inability to recruit and retain the appropriately skilled level of staff can compromise the sustainability of operations in some geographies	**People and culture** – Training facilities and programmes to develop local skills – Group mentoring and coaching of team members – Effective recruitment and retention policies and practices – Talent management and development of talent pipelines to focus on critical and scarce skills – Strengthen PPC group's internal talent pool Residual risk ranking: Unlikely, serious

Inherent risk ranking*: Impact/consequence

Likelihood	Negligible	Marginal	Serious	Critical	Catastrophic
Almost certain	L	M	H ▲ ⬢	VH ● ■ ✕	VH
Likely	L	M	H ▮ ◣	H ⬬	VH
Moderate	L	M	M	▥ H	H ▲
Unlikely	L	M	M	H	H
Rare	L	L	M	M	H
Risk level	L – Low	M – Medium	H – High	VH – Very High	
Guidelines for risk matrix	Monitor and manage as is appropriate	Actively manage	Escalate to exco. Proactively manage	Escalate to board. Eliminate, avoid, implement specific actions, plans/procedures to manage and monitor	

●	Declining profit margins and volumes
✕	New projects not achieving forecast volume, prices and market share
■	A major investment not achieving expected business case returns
▲	Group capital structure not effectively managed
⬢	New imports into the PPC markets

* Inherent risk is the combination of the consequences of a risk and their likelihood *without controls*.

Residual risk ranking**: Impact/consequence

Likelihood	Negligible	Marginal	Serious	Critical	Catastrophic
Almost certain	L	M	H	VH	VH
Likely	L	M	H ▮	● H ✕ ■	VH
Moderate	L	M ⬢	M ◣	H	H
Unlikely	L	⬬ M	▲ M	▥ H	H ▲
Rare	L	L	M	M	H
Risk level	L – Low	M – Medium	H – High	VH – Very High	
Guidelines for risk matrix	Monitor and manage as is appropriate	Actively manage	Escalate to exco. Proactively manage	Escalate to board. Eliminate, avoid, implement specific actions, plans/procedures to manage and monitor	

⬬	Unintended non-compliance with legislative requirements
◣	Stagnant SADC economy and political uncertainty in our operating regions
▮	Undervalued share price
▥	Risk of administrative and/or control deficiencies in new business environments
▲	Lack of required local skills in some jurisdictions to effectively support our strategic and operational needs

** Residual risk is the risk remaining *after* risk treatment or response has been applied.

LEADERSHIP – OUR BOARD

1. Peter Gill Nelson (63)

Independent non-executive chairman
Qualifications: BCompt (Hons), BA(SA)
Appointed January 2015
Areas of expertise and contribution:
– Manufacturing, mining, healthcare, telecommunications, leisure, property, packaging and the motor industry
– Extensive operational and corporate finance experience

2. Darryll John Castle (48)

Chief executive officer
Qualifications: BSc (civil), BCom, MBA, CFA
Appointed January 2015
Areas of expertise and contribution:
– Corporate management (mining and engineering), fund management, financial analysis and private equity
– Extensive experience in the mining industry and first-hand knowledge of various countries in Africa and emerging markets

3. Salukazi Dakile-Hlongwane (66)

Independent non-executive director
Qualifications: BA (economics and statistics) (National University of Lesotho), MA (development economics) (Williams College, Massachusetts, USA)
Appointed January 2016
Areas of expertise and contribution:
Development finance, risk and sustainability
Other directorships of listed entities:
– Non-executive chairman of Nozala Investments Pty Limited, a broad-based women-owned and controlled empowerment company she co-founded in 1996
– Exxaro Resources Limited
– MultiChoice South Africa Holdings and MultiChoice South Africa Pty Limited
– Woodlands Dairy Pty Limited
– Lanseria Airport Holdings

4. Nonkululeko Gobodo (56)

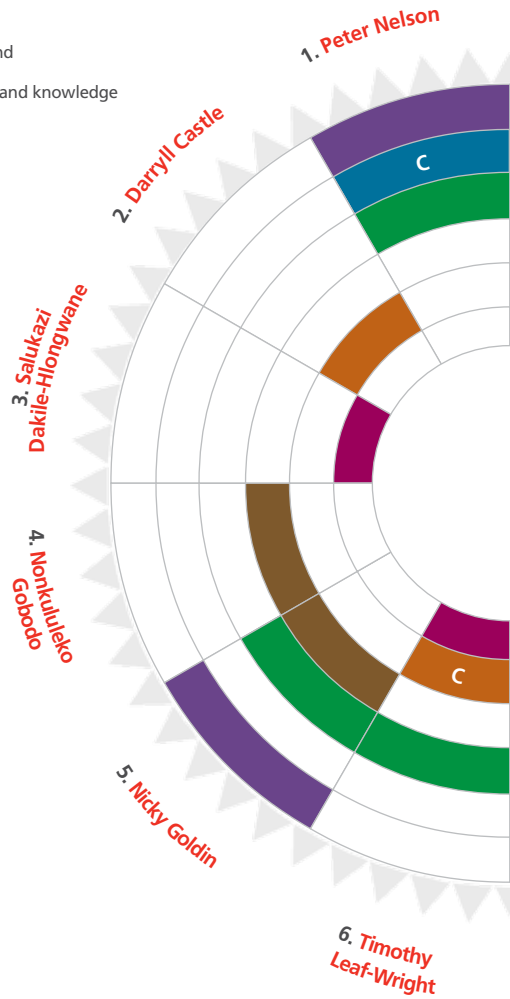
Independent non-executive director
Qualifications: CA(SA)
Appointed February 2017
Areas of expertise and contribution:
Accounting, auditing, advisory, mergers and acquisitions, entrepreneurship and leadership consulting
Other directorships of listed entities:
– Mercedes-Benz SA
– Clicks Group Limited

5. Nicky Goldin (47)

Independent non-executive director
Qualifications: BCom (Hons) (University of the Witwatersrand), MBA (University of Illinois)
Appointed January 2015
Areas of expertise and contribution:
– Global experience in strategy development and execution; business development; corporate finance and investment banking (debt and capital raising), primarily focused on natural resources and financial services sectors

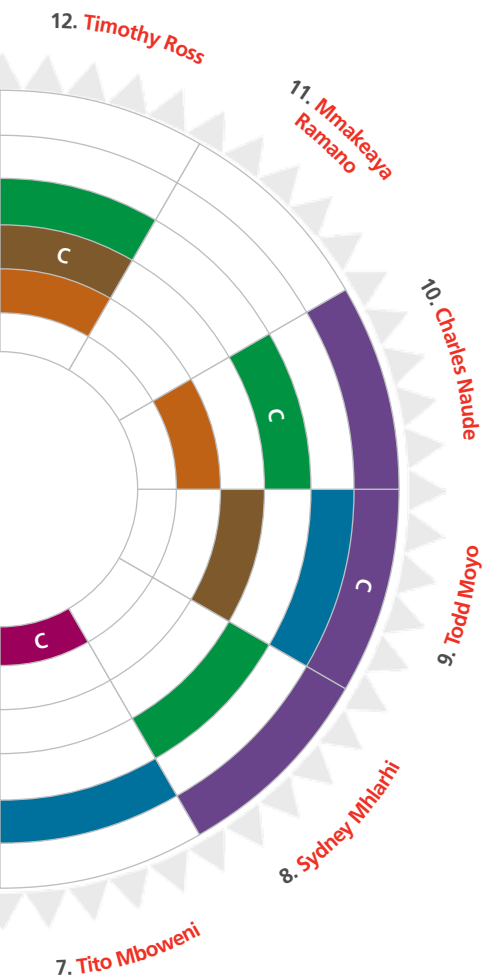
6. Timothy Leaf-Wright (64)

Independent non-executive director
Qualifications: Chartered Institute of Secretaries (Natal Technikon)
Appointed January 2015
Areas of expertise and contribution:
– Over three decade's expertise in export management and business development in Africa
– Seconded to Mozambique, Nigeria and Angola for over a decade to spearhead negotiations and then construction and management of brownfields and greenfields plants in those countries



Board committees:

- Remuneration
- Nominations
- Investment
- Audit
- Risk and compliance
- Social, ethics and transformation
- C Chairperson



7. Tito Mboweni (58)

Independent non-executive director
Qualifications: BA (National University of Lesotho), MA development economics (University of East Anglia), diploma in international business diplomacy (Georgetown University), CD(SA)
Appointed January 2015
Areas of expertise and contribution:
– Considerable experience in the fields of economic and political analysis, macro-level economic strategy, finance, labour relations and public policy
Other directorships of listed entities:
– Nampak Limited (chairman)
– Sacoil Holdings
– Accelerate Property Fund
– Discovery Limited

8. Sydney Knox Mhlarhi (44)

Non-executive director
Qualifications: CA(SA)
Appointed March 2012
Areas of expertise and contribution:
– Corporate finance and investment banking
– Founder and director of Tamela Holdings Pty Limited, investment holding and corporate finance advisory company
Other directorships of listed entities:
Assore Limited

9. Todd Moyo (59)

Independent non-executive director
Qualifications: CA(Z), CA(SA), RPA(Z), MCSZ
Appointed November 2013
Areas of expertise and contribution:
– Experience spans several economic sectors and disciplines including production, sales and marketing and information technology

10. Charles Naude (61)

Independent non-executive director
Qualifications: BSc (Hons) (geology, chemistry) (University of Pretoria), MBL (Unisa)
Appointed January 2015
Areas of expertise and contribution:
– 30 years' experience in all facets of the cement industry, including aggregates, readymix and lime

11. Mmakeaya Magoro Tryphosa Ramano (45)

Chief financial officer
Qualifications: CA(SA)
Appointed August 2011
Areas of expertise and contribution:
– Financial and strategic planning, corporate governance reform, industry analysis, corporate restructuring, profit improvement, policies and procedures
Other directorships of listed entities:
South African Airways (vice chair)

12. Timothy Dacre Aird Ross (72)

Independent non-executive director
Qualifications: CA(SA)
Appointed July 2008
Areas of expertise and contribution:
– Audit practice, risk advisory and client services
Other directorships of listed entities:
Adcorp (chairman, audit and risk committee)
Mpact (chairman, audit and risk committee)

Bridgette Modise retired from the board on 31 October 2016.

LEADERSHIP – GROUP EXECUTIVE COMMITTEE

Darryll Castle (48)

Chief executive officer

Qualifications:: BSc (civil), BCom, MBA, CFA
Appointed January 2015

Relevant skills and expertise:
– Corporate management (mining and engineering), fund management, financial analysis and private equity
– Extensive experience in the mining industry and first-hand knowledge of various countries in Africa and emerging markets

Tryphosa Ramano (45)

Chief financial officer

Qualifications: CA(SA)
Appointed August 2011

Relevant skills and expertise:
– Financial and strategic planning, corporate governance reform, industry analysis, corporate restructuring, profit improvement, policies and procedures

Other directorships of listed entities:
South African Airways (vice chair)

Neil Caldwell (51)

Executive: commercial

Qualifications: BSc (mechanical), MBA (University of Cape Town), BProc (University of South Africa)
Appointed to exco: February 2016

Relevant skills and expertise:
– Strategic leadership in manufacturing and mining industries

Johannes Theodorus Claassen (58)

Managing director: PPC Cement RSA

Qualifications: BEng (University of Stellenbosch), EDP (Wits Business School)
Appointed to exco: January 2013

Relevant skills and expertise:
– Over 20 years' experience in all facets of the cement industry, including lime
– Operational management and strategic leadership

Everhardus Johannes (Hardie) de Beer (52)

Executive: technical

Qualifications:: BEng (mechanical), MBL (University of South Africa)
Appointed to exco: March 2016

Relevant skills and expertise:
– Engineering and technical expertise in cement industry
– Operational and project management in South Africa and the rest of Africa

Njombo Lekula (49)

Managing director: PPC International

Qualifications: National diploma chemical engineering (Vaal University of Technology), MBA (University of Stellenbosch)
Appointed to exco: November 2015

Relevant skills and expertise:
– Engineering and technical expertise
– Operations management and strategic leadership in the rest of Africa

Azola Cubekile Lowan (36)

Executive: strategy and communications

Qualifications: MBusSci (University of Cape Town), CFA
Appointed to exco: August 2013

Relevant skills and expertise:
– Investment management and financial analytics
– Economic strategy
– Strategic leadership
– Retired from exco June 2017

Kgomotso Molefe (45)

Chief information officer

Qualifications: BSc computer science (Hons) (University of the Witwatersrand)
Appointed to exco: January 2014

Relevant skills and expertise:
– Management consulting, enterprise architecture and strategy consulting
– Software development lifecycle management
– Service design and optimisation

Ndivhu Nepfumbada (46)

Group human resources executive

Qualifications: BSocSc psychology and sociology (University of Natal), postgraduate diploma human resources (University of the Witwatersrand)
Appointed to exco: February 2016

Relevant skills and expertise:
– Over 20 years' experience in strategic human resources and management consulting
– 15 years in executive HR leadership and organisational transformation

Rob Rein (41)

Executive: sales and marketing

Qualifications: BCom accounting (University of Pretoria)
Appointed to exco: February 2015

Relevant skills and expertise:
– Extensive experience in sales and marketing
– Strategic leadership and entrepreneurship

Jacobus Hendrik De La Rey Snyman (50)

Executive: risk, compliance and legal, PPC group company secretary

Qualifications: BA, LLB, LLM (University of Johannesburg), MBA (University of the North West)
Appointed to exco: January 2008

Relevant skills and expertise:
– Corporate law experience as a practicing attorney
– Company secretarial practice and corporate governance
– Risk management
– Compliance management

R80 million*

Project cost

CELL C CAMPUS, SOUTH AFRICA

26° 2′ 41.2512″ S
28° 6′ 10.0775″ E

* Cell C warehouse only

THE TRUST WE BUILD WILL BUILD US

The Cell C campus is truly one of the prime developments in Waterfall and boasts a customer walk-in centre, data/IT centre, warehouse facilities and additional 14 000m² office space.

PRODUCT:

PPC supplies lime into the steel industry. The 10 000m² Cell C warehouse alone used 570 tonnes of steel

Reference: Southern African Institute of Steel Construction, Project fact sheet
Photograph courtesy of ArcelorMittal South Africa

CHIEF EXECUTIVE OFFICER'S REPORT

Celebrating 125 years of producing quality cement and shaping the infrastructural landscape in southern Africa and beyond is a great achievement and proud milestone for PPC. Over the years, we have produced cement for iconic landmarks such as the Union Buildings in South Africa and, as we expand across Africa, we are proud to have contributed to structures such as the Kigali Convention Centre in Rwanda and Kariba dam in Zimbabwe. After commissioning plants in the Democratic Republic of the Congo (DRC) and Ethiopia, we are excited about the impact we will make as we bring innovation and engineering expertise to the continent's growing markets.

In October 2015, we launched our new vision and strategy to all PPC staff. This year, we begin to share our progress on this journey with our stakeholders. We have plotted short, medium and long-term objectives (page 8) and on page 9 provide highlights of our performance against the short-term elements of our strategy.

In 2016 S&P Global Ratings downgraded our corporate credit rating to below investment grade on liquidity and leverage concerns. The severity and timing of the ratings action was unexpected, and compelled PPC to accelerate its capital raising plans and increase the quantum to R4 billion as the sub-investment grade rating required us to redeem our outstanding bonds. The accelerated terms of the bond programme meant that we had to make an offer to buy back the bonds within three days of the downgrade, in turn requiring the board to make a going concern assessment at that point. In short, while the timing and severity of the downgrade was not anticipated, the fact that it triggered accelerated terms for the bond programme made it a critical matter.

We have strengthened processes and functions in PPC to prevent such an event recurring. On page 22 we provide a view of the material issues identified across the group and corresponding responses. In changing our operating structure, we now have a matrix that emphasises the use of multi-disciplinary teams supported by a three-tier risk system, quarterly business reviews, improved transparency, reporting and performance management as well as the introduction of robust strategic and business planning processes. The board has also formally constituted the investment committee while providing additional support and vigilance on key matters.

Performance outcomes

Our headline results reflect substantial declines in earnings over the reporting period. These largely relate to higher financing costs for the capital raising fee and related interest charges for the R2 billion liquidity and guarantee facility secured in June 2016 to redeem outstanding PPC bonds as well as a generally weaker trading environment in our core businesses. Other sizeable contributors include an additional IFRS 2 charge of R206 million for the partial unwind of our first empowerment scheme (BEE I), currency devaluation losses and the non-recurrence of exceptional profit in the prior period. Normalising the impact of these effects resulted in basic earnings per share of 47 cents for the year.

In these challenging markets, we continue to advocate the value of cash generation and cash conversion, and we are pleased with our performance. Cash earnings per share was 75 cents and we have achieved a cash-conversion ratio of 0,9x.

Cost management remains a key thrust in our operational performance. Commendably, the South African cement business's variable delivered costs have only risen 5% on a rand per tonne basis below both consumer and producer price inflation. If we normalise our cost of sales by removing the impact of consolidating 3Q, cost of sales increased by 7%. Our focus has been on costs within our control, which we managed well in the reporting period, with overheads declining by 1,5%.

The performance of our business units has been quite varied. The South African cement business recorded volume improvements of 2%, and a decline in selling prices when seen in conjunction with inflation of costs. We believe that the cycle of falling prices has ended and look forward to reporting selling price growth in future.

Darryll Castle
Chief executive officer

The international businesses recorded steady performances. The ramp-up in Rwanda continued at a measured pace with the unit selling 310 000 tonnes of cement over the period within the expected EBITDA margin range of 30% to 35%. In Zimbabwe, despite major economic headwinds, volumes were resilient. The Botswana business continues to make a contribution to group performance.

The mixed performance of the materials business reflects pressure on our lime business after one of its largest clients had a major shutdown during the year. Our readymix business improved its contribution on the back of the 3Q transaction while the aggregates business in South Africa performed satisfactorily.

All rest of Africa projects successfully commissioned*

We are particularly proud of the fact that we successfully commissioned the three remaining African expansion projects in the review period and up to the time of this report.

In Zimbabwe, the US$82 million Harare mill was completed on time and below budget with an excellent safety record – no lost-time injury was recorded during the project's 1,25 million hours. The associated project debt was initially expected to be US$75 million but using our own cash resources reduced debt drawdowns by US$20 million. The first biannual debt and interest payment was made in December 2016. All performance tests have now been successfully concluded and final handover has occurred. We were honoured to have the plant officially commissioned by His Excellency, President Robert Mugabe in March 2017.

In the DRC, construction of our 1mtpa plant was completed on schedule. Hot commissioning was delayed slightly due to bulk power supply to the plant being made available later than expected. First cement and clinker was produced in March 2017 during the hot-commissioning process and the plant went into production in April 2017, recording its first sales.

The DRC project was financed on a limited-recourse basis to PPC. As such, any funding shortfalls prior to financial completion will be for the account of PPC as first sponsor. Current shortfalls include any capital overruns (estimated at US$16 million) bringing the project cost to US$296 million and start-up funding for the prepayment of VAT and settling bank facilities (estimated at US$36 million). Repayment of funding obligations begins in July 2017 – with any shortfalls also for PPC's account.

In April 2017, we were privileged to have His Excellency, Prime Minister Ato Hailemariam Desalegn officiate the inauguration of our 1,4mtpa plant in Ethiopia. First cement sales were achieved in June 2017.

Capital structure management

In September 2016, the group's net debt reduced from R8,7 billion to R4,7 billion after receiving proceeds from the rights offer and inflows from maturing components of the BEE I transaction. The group now has a cash balance of around R990 million, although about a third relates to Zimbabwe and is not readily available. Consequently, the group net debt to EBITDA ratio, which had been at 3,7x in March 2016, has now reduced to 2,3x.

* Page 59

CHIEF EXECUTIVE OFFICER'S REPORT continued

The maturity profile reflected South African debt of R1,6 billion payable in September 2017. After discussions with lenders, this debt has been extended to June 2018.

Safety and sustainability

We have excellent safety systems in place and have made considerable progress in recent years. Despite this, our safety performance in the period was disappointing. We sadly reported one fatality at our 3Q Rustenburg operation (North West), and extend our deepest condolences to the family, colleagues and friends of the deceased.

In the year, 31 lost-time injuries (LTIs) and one fatality were recorded, significantly higher than recent years where we consistently recorded LTIs of below 20 per 12-month reporting period. Our analysis has shown that an increased number of contractors, projects and acquired businesses all contributed to a higher risk profile for PPC. Typically, the on-boarding process of new subsidiaries and conversion from project into a fully fledged operation present risks for more safety incidents. The health and safety report on page 104 gives further insights on our strategies, most notably the introduction of the snakes and hazards programme. We are optimistic that these initiatives will improve the safety culture and performance across the organisation.

Our environmental and energy management initiatives recorded good progress in the period. We converted Dwaalboom kiln 1's electrostatic filter to a baghouse at a cost of R69 million and successfully reduced dust emissions to under 30mg/Nm^3 which meets 2020 environmental emissions standards well ahead of deadline. At De Hoek, our waste tyre initiative is progressing well, with a 10% thermal substitution rate of fossil fuels. At CIMERWA (Rwanda), we have migrated from diesel generators to the local power grid, giving us access to some hydroelectric power and we have replaced 20% of coal use with alternative sources. At the Bulawayo milling factory (Zimbabwe) we implemented an energy monitoring system with energy savings of 16%. Please see our environmental report on page 122 for details.

The February 2017 budget speech confirmed that a revised carbon tax bill will be published for public consultation and tabled to parliament in mid-2017. According to the proposed draft bill dated November 2015, we have contemplated that the carbon tax for PPC group is expected to be around R90 million. We continue to engage constructively with relevant industry bodies and government on this matter.

In terms of the broad-based black economic empowerment (BBBEE) codes of good practice, PPC´s contributor level improved from level 8 to level 4 in December 2016. This enables our customers to claim back 100% of their spend with our group for their own preferential procurement points. Our efforts are now focused on maintaining and improving this rating. Work on a new BEE III transaction was well advanced with the board having approved a new structure appropriate to the 2010 Mining Charter. Subsequently the new 2017 Mining Charter has resulted in a review of this structure given the legislative uncertainty.

In 2015, we implemented a new climate-survey approach which was conducted independently across PPC to assess employee morale and identify areas of improvement. In 2016, all nine dimensions scored high. A highlight of the survey results is the level of understanding for PPC's vision and strategy of the company (which moved from position six in 2015 to first in 2016). It is encouraging to learn that, despite the challenges the company faced in the past year, employees were still engaged and this is credited to effective communication across the group.

Industry consolidation

In February 2017, we issued a cautionary announcement on a proposed merger between PPC and AfriSam Group. At the time that the transaction was announced, the stated rationale for the merger was to:

- Create a financially stronger, operationally more efficient South African cement producer with access to deeper technical capability
- Allow for improved balance sheet capabilities that would pave the way for investment in future growth opportunities
- Create a merged entity with complementary production assets in six African countries outside of South Africa
- Allow for the exploiting of synergies that may arise from the combined entity
- Create a significantly empowered merged entity

Due diligence work is under way and during the second half of calendar 2017, we expect to inform stakeholders of the outcomes of these investigations.

Looking ahead to 2018

This reporting period has certainly been difficult but we are pleased with our progress. Our balance sheet is stronger, our African projects are all operational and we believe the South African cement market is stabilising. Certainly, there are still challenges ahead but we are cautiously optimistic that we have the right building blocks in place to be able to manage these headwinds effectively.

I thank my fellow board members, the executive committee, and Team PPC for their continued focus and energy in the review period. Congratulations to all the Diamond Awards 2016 winners. Our customers, shareholders and other stakeholders remain critical to our success and we are grateful for their support.

Darryll Castle
Chief executive officer
12 July 2017

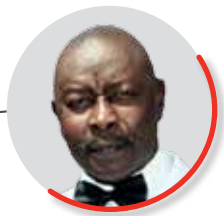
DIAMOND AWARDS 2016

IN RECOGNITION OF EXCELLENCE

Rising talent
Tshigo Seletela

MD special recognition
Willie Lambrechts

Woman of the year
Pauline Sibanda



Business support
Alpha Maphosa

Customer service excellence
Mpumi Nsibanyoni

Production excellence
Petrus de Bruyn

Safety
Sizwe Nkambule

Sales
Franco Engelbrecht

MD special recognition
Riehan Roux

MD special recognition
Greg Thomas

MD special recognition
Henderson Willie

OUR VALUE CREATION MODEL

CAPITALS

The International <IR> Framework published by the International Integrated Reporting Council (IIRC) (December 2013) positions the importance of providing insight into how an organisation's strategy relates to its ability to create value and to its use of and effect on the six capitals.

The following section unpacks how we consider the resources and relationships used and affected by PPC, and how we interact with our external environment to create value against the six capitals as defined by the IIRC.

HUMAN CAPITAL

People's competencies, capabilities and experience, and their motivations to innovate, including their:

- alignment with and support for an organisation's governance framework, risk management approach, and ethical values
- ability to understand, develop and implement an organisation's strategy
- loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate

MANUFACTURED CAPITAL

Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including:

- buildings
- equipment
- infrastructure (such as roads, ports, bridges, and waste and water treatment plants)

FINANCIAL CAPITAL

The pool of funds that is:

- available to an organisation for use in the production of goods or the provision of services
- obtained through financing, such as debt, equity or grants, or generated through operations or investments

NATURAL CAPITAL

All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes:

- air, water, land, minerals and forests
- biodiversity and eco-system health

SOCIAL AND RELATIONSHIP CAPITAL

The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:

- shared norms, and common values and behaviours
- key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders
- intangibles associated with the brand and reputation that an organisation has developed
- an organisation's social licence to operate

INTELLECTUAL CAPITAL

Organisational, knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights and licences
- "organisational capital" such as tacit knowledge, systems, procedures and protocols

OUR VALUE CREATION MODEL continued

DIVERSITY

INTE

KEY INPUTS

HUMAN CAPITAL

	2017	2016*	2015
RSA employees	**2 575**	2 378	2 472
ROA employees	**1 005**	926	900
Training and development	**R45,7 million**	R19,1 million	R42,7 million
Core skills and expertise			
Organisation culture			

MANUFACTURED CAPITAL

Infrastructure (electricity, railways, roads and water treatment plants)
Equipment (mobile)
Factories (kilns and mills)
Alternative materials and resources (slag, fly ash, tyres and carbonaceous spent pot lining)

FINANCIAL CAPITAL

	2017	2016*	2015
Total assets	**R18,0 billion**	R16,4 billion	R15,3 billion
Net working capital	**R1,5 billion**	R1,1 billion	R978 million
Total borrowings	**R5,7 billion**	R9,2 billion	R8,2 billion
Total equity	**R8,4 billion**	R3,6 billion	R3,2 billion
Finance costs	**R865 million**	R350 million	R496 million
Reinvested to maintain and develop operations	**R695 million**	R620 million	R744 million

NATURAL CAPITAL

	2017	2016*	2015
Dust (tonnes)	**660**	371	930
NO_x (tonnes)	**11 436**	4 745	11 399
SO_2 emissions (tonnes)	**698**	409	250
Energy (terajoules)			
Direct energy	**17 747**	8 464	19 213
Indirect energy	**1 948**	969	2 203
CO_2 emissions (tonnes)			
Cement, lime and dolomite	**4 436 775**	2 082 592	4 565 558
Cement SA	**3 491 431**	1 648 673	3 549 886
Cement Zimbabwe	**459 431**	180 944	479 385

SOCIAL AND RELATIONSHIP CAPITAL

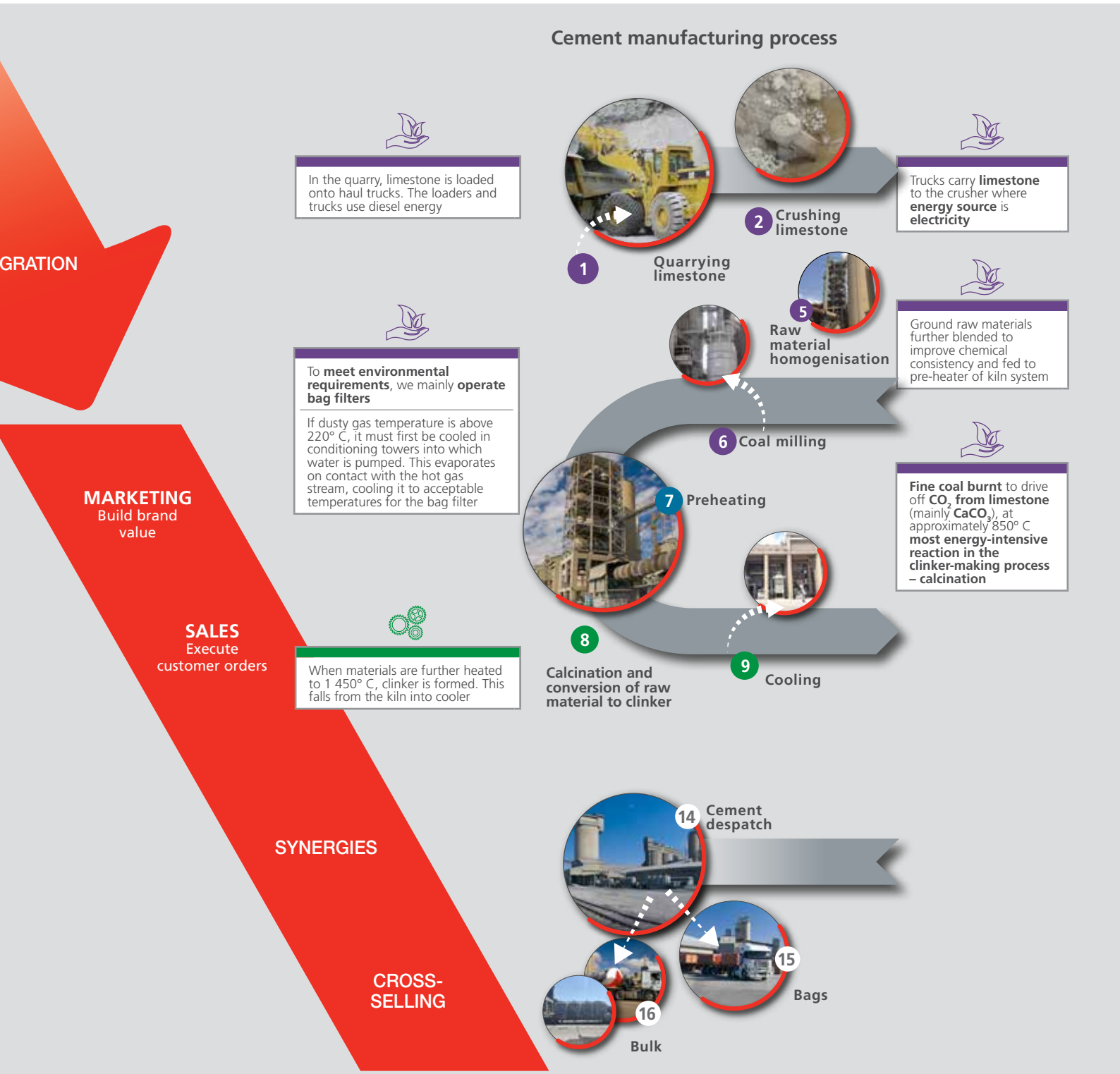
Local communities, government and designated businesses
Communities
Government institutions
Trade unions
NGOs
Amended BBBEE codes
Construction sector

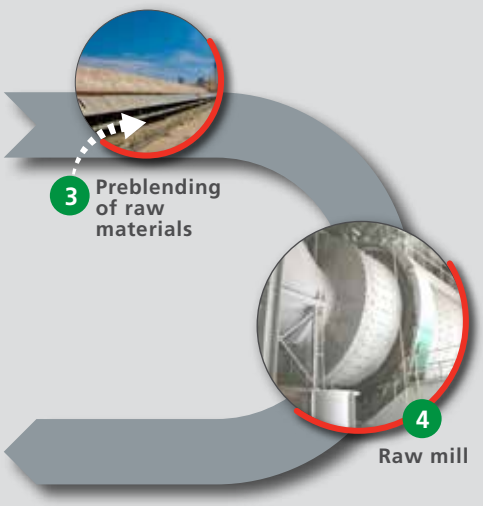
INTELLECTUAL CAPITAL

Employee competencies
Mineral rights
Institutional memory
Innovation hub
PPC brand

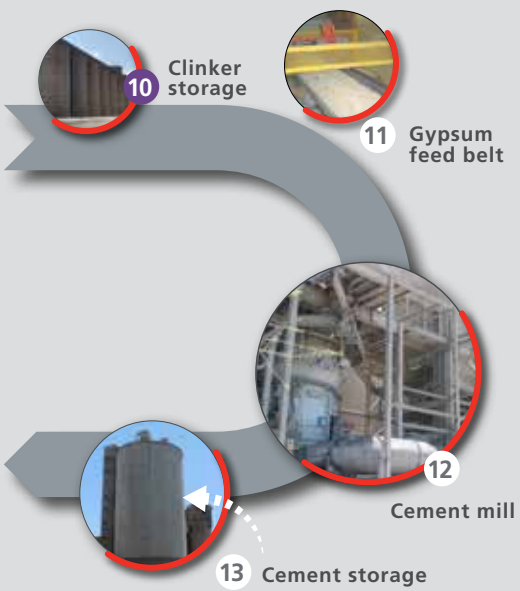
* 2016 was a six-month financial period.

Cement manufacturing process





CEMENT
PROCESS TECHNOLOGY



Crushed limestone is stacked on blending beds for consistent chemical composition

Depending on **chemical composition of limestone**, other **materials such as shale, clay, sand, iron ore and boiler ash** are added in the raw mill to achieve correct chemical composition for burning in the kiln

About **25% of total plant electrical energy is consumed** in raw milling plant

Clinker is stored and then **ground with gypsum** and perhaps **extenders such as fly ash, slag or limestone** to produce **final cement products**

Grinding process carried out mainly in **ball mills**, accounting for **40% of total electrical energy consumption of the plant**

KEY OUTPUTS AND OUTCOMES

HUMAN CAPITAL

	2017	2016*	2015
Revenue per employee	**R2,7 million**	R1,4 million	R2,7 million
Wealth created per employee	**R1,0 million**	R0,6 million	R1,1 million
Housing initiatives	**78 houses to employees**	173 houses to employees	35 houses to employees
PPC employees, children bursaries	**11 children**	8 children	0 children
Lost-time injuries	**31**	10	18
Employee development			
Employee wellness			
Innovative culture			
Health and safety targets			
Skills development and empowerment			
Core skills retention			

ACTIONS TO ENHANCE OUTCOMES

- Ensuring a safe workplace and promoting employee health and well-being (page 104 – 107)
- Develop and retain a strong talent pipeline that enables PPC to have the right talent now and in future (page 109 – 115)
- Talent management and leadership development initiatives (page 109 – 115)

MANUFACTURED CAPITAL

Volumes	2017	2016*	2015
Cement (kt)	**5 538**	2 614	5 349
Lime (kt)	**890**	413	985
Aggregates (kt)	**2 860**	1 405	2 938
Readymix (km^3)	**703**	239	511

ACTIONS TO ENHANCE OUTCOMES

- Three mega plant strategy is bearing fruit with variable and fixed costs reducing over time
- Productivity levels have risen 12% since 2009 by enhancing efficiencies at operations
- Commissioning the SK9 upgrade project will yield material cost savings due to lower energy and maintenance costs

FINANCIAL CAPITAL

Shareholders, investors, suppliers and government	2017	2016*	2015
Cement revenue	**R7,8 billion**	R3,7 billion	R7,5 billion
Lime revenue	**R818 million**	R383 million	R871 million
Aggregates and readymix revenue	**R1,2 billion**	R503 million	R1 billion
Group revenue	**R9,6 billion**	R4,5 billion	R9,2 billion
Normalised EBITDA	**R2,1 billion**	R1,2 billion	R2,4 billion
Normalised EBITDA margin	**21,4%**	25,70%	26,30%
Cash generated from operations	**R1,9 billion**	R813 million	R2,7 billion
Income from investments	**R27 million**	R12 million	R12 million
Employee salaries and benefits	**R1,7 billion**	R770 million	R1,3 billion
Payments to suppliers	**R5,8 billion**	R2,6 billion	R5,5 billion
Tax to national, local and provincial governments	**R381 million**	R114 million	R483 million

ACTIONS TO ENHANCE OUTCOMES

- Initiatives to degear the balance sheet and reposition PPC against economic changes (page 40 – 47)
- Net debt reduced by 46% to R4,7 billion
- Immediate focus is on managing cost performance, particularly those within management's control, and maximising efficiencies (page 40 – 47)
- Further optimising PPC's capital structure (page 40 – 47)
- BEE III transaction under way (page 40 – 47)

NATURAL CAPITAL

	2017	2016*	2015
Depreciation and amortisation	**832**	393	702
Mining and overburden rehabilitation			
Consuming non-renewable fossil fuels			
Tyre burning at De Hoek kiln 6 – heat replacement value of 15% coal			
PPC is constructing a new 1mtpa kiln line for R1,7 billion at SK9			

ACTIONS TO ENHANCE OUTCOMES

- Environmental legal compliance (page 122 – 128)
- Improve electrical and thermal efficiency, and evaluate alternative forms of energy supply (page 122 – 128)
- Comprehensive water management programmes aligned to our integrated water use licence and environmental and social impact assessment in our rest of Africa operations (page 122 – 128)
- Continue to improve energy and process efficiencies to reduce CO_2 emissions and carbon footprint (page 122 – 128)
- Fully aligned to Cement Sustainability Initiative and objectives of the white paper on integrated pollution and waste management (page 122 – 128)

SOCIAL AND RELATIONSHIP CAPITAL

Local communities and designated businesses	2017	2016*	2015
Socio-economic development (Rm)	**10**	8	7
PPC BBBEE rating	**Level 4**	Level 8	Level 2**
CSI projects			
Enterprise development			
Supplier development			
Preferential procurement			

ACTIONS TO ENHANCE OUTCOMES

- Protecting labour rights and managing relationships with employees and unions (page 129 – 137)
- Developing a diverse and inclusive workforce (page 109 – 115)
- Allowing for sustainable growth in communities while making business sense for key stakeholders in those communities, government and the business

INTELLECTUAL CAPITAL

PPC innovation portal is where Team PPC shares ideas, solves problems, collaborates and you have your say

Technical customer support provides a knowledgeable and helpful team of experts to assist with any cement-related queries

Builders App is a construction tech with a wealth of valuable information such as production information, weather updates, store locators, quality calculators and much more

Cement and concrete cube (C3) is a unique information-sharing platform that is your go-to resource for all things cement and concrete related. The forum is PPC's commitment to educating and informing cement users on latest developments and techniques in building, construction, CPM and architectural sectors

ACTIONS TO ENHANCE OUTCOMES

- In recent years, we have been driving an innovation culture through initiatives like the innovation portal and C3
- As a growing organisation, we understand innovation is more than just ideas, it is about process optimisation and collaborative initiatives to share the vast intellectual capital in the group across operations

* 2016 was a six-month financial period.
** 2007 codes of good practice.

CHIEF FINANCIAL OFFICER'S REPORT

This report covers our first 12-month period since the change in year-end, as previously reported, and aligns to the change in our group's legal organisational structure which became effective in the review period.

Given these changes and for ease of comparison, pro forma financial information reflecting the financial results and cash flows for the 12 months ended 31 March 2016, released on SENS on 9 March 2017, is used as the comparative to the current reporting period.

As noted in my prior report, the new group structure, which came into effect on 1 April 2016, allowed us to streamline the business: PPC Ltd was split up into a holding company, remaining as PPC Ltd with two new operating entities created, namely PPC Cement South Africa and PPC Group Services.

Accordingly, our segmental reporting was amended in the review period, aligning operating segments to the way the business units are managed and reviewed. The key operating segments are now cement, split between southern Africa cement and the rest of Africa cement, materials business and group services. The prior period comparison has been amended from that previously reported.

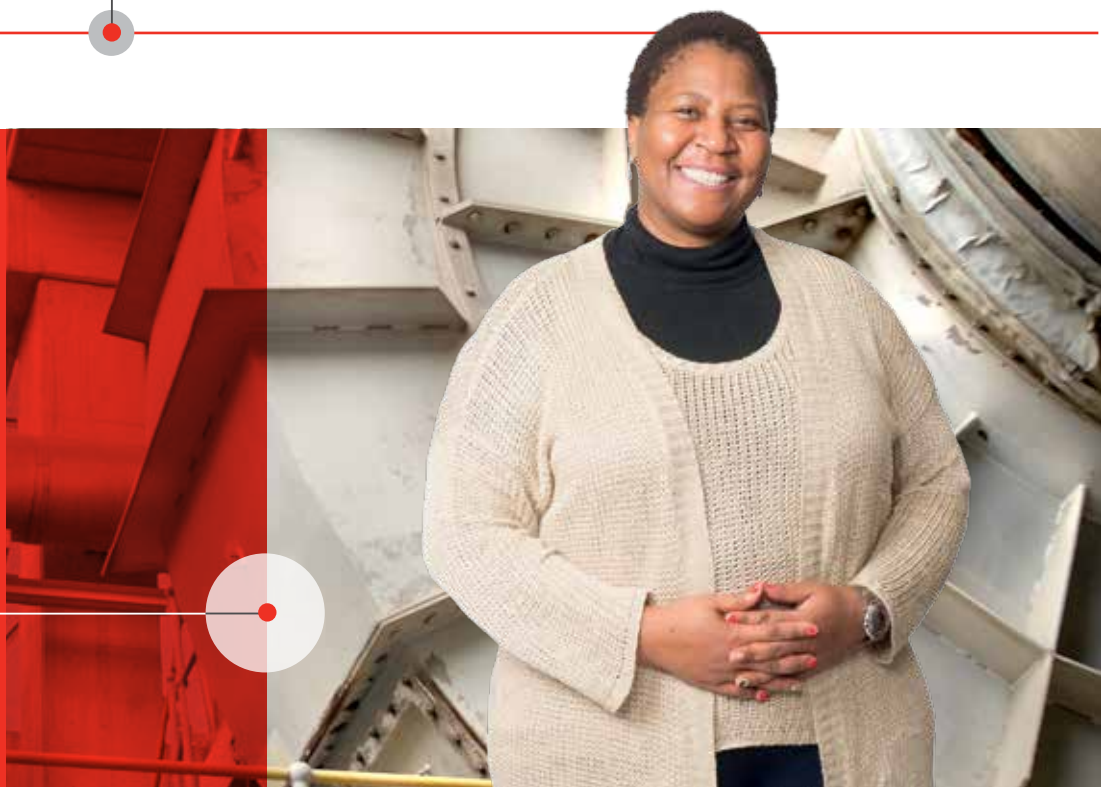
Overview

Following the liquidity constraints we faced earlier in the financial year, which were to an extent addressed by an oversubscribed rights issue, the group undertook various initiatives to deal with its challenges, including:

- Strengthening the capital structure after receiving proceeds from the rights issue of R4 000 million and R1 041 million on maturity of the first BBBEE transaction. The net proceeds were used to reduce the company's borrowings and fund capital expenditure, specifically the SK9 expansion project
- Appointing two leading South African banks to advise on an appropriate capital structure, taking cognisance of the liquidity and maturity profile of the group's debt
- Improving cash flow management by better understanding the context of each operation within its jurisdiction

The table below reflects a number of challenges that are unusual in our current environment and have impacted the current reporting period:

Challenges	Solutions
The group's new legal and reporting organisational structure	• We implemented the new legal organisational structure effective April 2016 with the new group services company and splitting out the South African cement operations into a separate legal entity • At the same time, we strengthened the financial reporting structure to realign and support the operating business segments
S&P rating downgrade in May 2016 created short-term liquidity constraints	• We implemented a successful rights issue with gross proceeds of R4 000 million received in September 2016 • Our first BBBEE transaction, which concluded in December 2016, resulted in net proceeds of R1 041 million flowing to the group • Proceeds from the rights issue and first BBBEE transaction were used to reduce group borrowings • Post-year-end, the group rescheduled debt maturing in September 2017 to June 2018
BBBEE compliance as required in terms of the Minerals and Petroleum Resources Development Act (MPRDA)	• The group is working with a local financial institution to develop an appropriate ownership structure that complies with the MPRDA • This work is ongoing and the board has approved an in-principle structure
Challenging tax environment	• We reviewed and improved our tax governance structures across the group • The new legal organisational structure gives visibility to the group's tax risks, which can then be addressed accordingly



Tryphosa Ramano
Chief financial officer

Financial performance

Income statement

Key indicators of our operating performance include:

	Twelve months ended 31 March 2017 Audited Rm	Twelve months ended 31 March 2016 Pro forma Rm	Change %
Revenue	**9 641**	9 187	5
EBITDA	**2 065**	2 385	(13)
EBITDA margin (%)	**21**	26	
Depreciation and amortisation	**832**	755	10
Operating profit before IFRS 2 charges	**1 233**	1 630	(24)
Operating profit margin (%)	**13**	18	
Finance charges	**741**	572	30
Tax	**153**	384	(60)
Earnings attributable to shareholders	**93**	793	(88)
Earnings per share (basic) (cents)	**8**	117	(93)

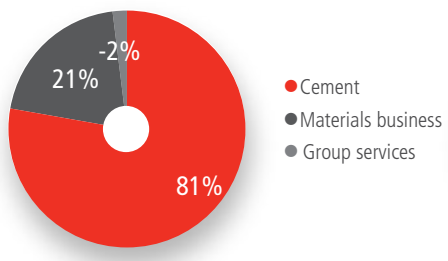
CHIEF FINANCIAL OFFICER'S REPORT continued

Revenue analysis by segment

	Twelve months ended 31 March 2017 Audited Rm	Region %	Twelve months ended 31 March 2016 Pro forma Rm	Region %	Change %
Cement	**7 830**	**81**	7 605	83	3
Southern Africa	**5 712**		5 659		1
Rest of Africa	**2 118**		1 946		9
Materials business	**2 048**	**21**	1 819	20	13
Lime	**818**		817		0
Aggregates and readymix	**1 230**		1 002		23
Inter-segment revenue	**(237)**	**(2)**	(237)	(3)	
Total revenue	**9 641**		9 187		5

CONTRIBUTION TO GROUP REVENUE BY BUSINESS (%)

March 2017



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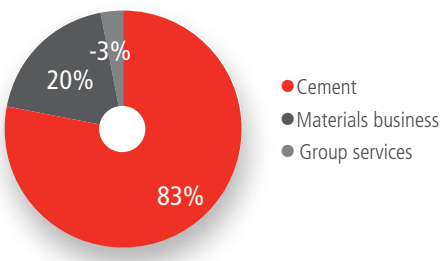


Cement segment

The cement business segment contributed 81% (2016: 83%) to group revenue. Group revenue rose 5% to R9 641 million (2016: R9 187 million) for the review period, while total cement volumes were 2% up on last year at 5 538kt (2016: 5 451kt).

The South African portfolio reflected a marginal revenue increase of 1% to R5 712 million (2016: R5 659 million). Volumes in South Africa rose 2% while selling prices were down. Given the competitive landscape, particularly the Gauteng region, prices decreased specifically in the bulk market, resulting in lower margins. In contrast, the coastal region recorded strong volume increases. The Botswana operations, which are included in the southern African business segment, recorded flat volumes while selling prices were down 9% due to competition from South African imports.

In our rest of Africa portfolio, revenue increased 9% to R2 118 million (2016: R1 946 million), equating to 22% (2016: 21%) of group revenue. Our Zimbabwe operations recorded a volume decline of 3%, while selling prices, in US dollars, decreased 10% over the year. The tough operating environment and liquidity challenges in the domestic market, compounded by increased local competition from imports, affected the Zimbabwe performance. The new plant in Rwanda, commissioned in 2016, recorded cement sales of 310kt compared to 124kt in the prior year, noting that the plant had not run for a full 12 months in the prior period due to the timing of plant commissioning. Our market share has risen in line with increased output. The Democratic Republic of the Congo (DRC) segment is not included in group revenue due to delays in hot commissioning which meant that the plant was not commissioned by 31 March 2017. Ethiopia is an equity-accounted investment and will therefore not affect revenue. In addition, the plant was only commissioned after 31 March 2017.

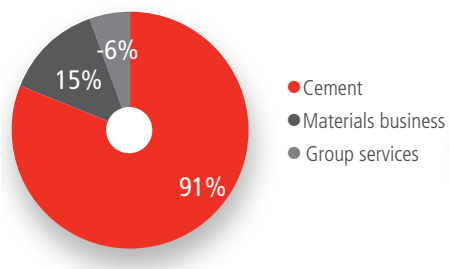
Materials business segment

In the South African materials portfolio, the combined materials business contributed 21% to group revenue at R2 048 million (2016: R1 819 million). Lime volumes were affected by a major client's three-month shutdown, limiting revenue growth compared to the previous year. Lime revenue ended the year at R818 million (2016: R817 million). Revenue in the aggregates and readymix business was 23% higher at R1 230 million (2016: R1 002 million) and supported by the 3Q readymix business, which was acquired effective 1 July 2016. In the aggregates business, South African sales volumes were down 6% on the comparative year on lower sales to the readymix concrete segment amid increased competitor activity, but this was partly offset by improved sales to the concrete products manufacturing segment.

EBITDA segmental reporting

	Twelve months ended 31 March 2017 Audited Rm	Region %	Twelve months ended 31 March 2016 Pro forma Rm	Region %	Change %
EBITDA analysis by segment					
Cement	**1 880**	**91**	2 064	87	(9)
Southern Africa	**1 235**		1 524		(19)
Rest of Africa	**645**		540		19
Materials business	**316**	**15**	383	16	(17)
Lime	**165**		196		(16)
Aggregates and readymix	**151**		187		(19)
Group services and other	**(131)**	**(6)**	(62)	(3)	
Total EBITDA	**2 065**		2 385		(13)

March 2017



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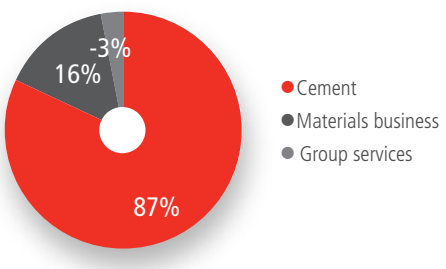


Cement segment

The cement segment contributes 91% (2016: 87%) to group EBITDA, while the materials business contributes 15% (2016: 16%), with group services contributing negatively to EBITDA as not all head office costs could be allocated to business units.

Group EBITDA decreased 13% to R2 065 million (2016: R2 385 million) with an EBITDA margin of 21% (2016: 26%). The decline was mainly attributable to the southern Africa cement segment where EBITDA was 19% lower than the previous year, resulting in EBITDA margins in this segment declining from 27% to 22%. The decline in the EBITDA margin reflects lower selling prices in the southern African market and the inability to pass on these cost increases to customers, despite ongoing focus on managing costs within our control, which were managed well in the current year.

In our rest of Africa portfolio, EBITDA increased 19% to R645 million (2016: R540 million) and the EBITDA margin improved from 28% to 31% mainly due to additional output from the Rwandan plant, which was included for the full financial year, and despite reduced EBITDA and EBITDA margins from the Zimbabwe operations in tough market conditions. The DRC contributed negatively, albeit marginally, to EBITDA figures due to certain costs that could not be capitalised to project costs.

Materials business segment

In the materials business segment, lime, aggregates and readymix recorded lower EBITDA at R316 million (2016: R383 million) despite inclusion of the 3Q business for nine months of the current year. The decline is mainly due to tough local conditions and a competitive environment in the segment.

Administration and other operating expenditure

Included in EBITDA is administrative and other operating expenditure. This declined 2% to R1 049 million (2016: R1 065 million), with total administrative and operating expenses approximating 11% of group revenue (2016: 12%), despite the current inflationary environment.

CHIEF FINANCIAL OFFICER'S REPORT continued

Depreciation and amortisation

	Twelve months ended 31 March 2017 Audited Rm	Region %	Twelve months ended 31 March 2016 Pro forma Rm	Region %	Change %
Depreciation and amortisation analysis by segment					
Cement	**672**	**81**	608	81	11
Southern Africa	**374**		386		(3)
Rest of Africa	**298**		222		34
Materials business	**123**	**15**	109	14	13
Lime	**46**		44		5
Aggregates and readymix	**77**		65		18
Group services and other	**37**	**4**	38	5	(3)
Total depreciation and amortisation	**832**		755		10

Depreciation and amortisation increased by 10% to R832 million (2016: R755 million), mainly due to commissioning of the Zimbabwe Harare mill in December 2016 and the full-year impact of the new plant in Rwanda, which was commissioned in September 2015.

In the southern Africa cement segment, depreciation is in line with maintenance capital expenditure and has not increased. The SK9 expansion project is still in project phase and depreciation will be only begin once the plant is commissioned in 2018.

Finance costs

Finance costs increased 30% to R741 million (2016: R572 million), mainly as a result of once-off items such as raising fees and additional interest costs of R165 million arising from the capital raised in the South African business following the liquidity constraints noted earlier. In the rest of Africa segment, finance costs declined on repayment of a portion of the debt in Rwanda. Interest on the Zimbabwe debt was capitalised until plant commissioning.

Taxation

The group's taxation charge decreased by 60% to R153 million (2016: R384 million) at an effective taxation rate of 85% (2016: 31%). The decrease in taxation was mainly due to lower profitability, while the increase in the effective rate to 85% mainly reflects withholding tax on dividends declared from Zimbabwe, the impact of non-deductible finance costs, IFRS 2 charges related to the BEE 1 transaction, forex losses on foreign currency-denominated monetary items on exchange rate movements and prior year taxation adjustments.

Profit attributable to ordinary shareholders and earnings per share

Profit attributable to PPC shareholders declined by 88% to R93 million (2016: R793 million). In line with this, earnings per share was 93% lower at 8 cents (2016: 117 cents per share). Earnings per share in the current year was affected by issuing 1 000 million additional shares after the successful rights issue. Earnings per share for 2016 was restated in terms of IAS 33 *Earnings Per Share* as a result of the rights issue.

In addition, the group's results were further impacted by certain once-off and other significant items, as described below:

- IFRS 2 charges of R206 million, resulting mainly from modifying certain original terms of the first BBBEE transaction relating to strategic black partners and recapitalising certain entities incorporated in terms of the same transaction
- Foreign exchange losses on foreign currency-denominated monetary items of R124 million (2016: R3 million gain), and mainly due to the remeasurement loss recorded against US dollar-denominated project funding debt in Rwanda and exchange loss recorded on VAT receivable in the DRC after the recent decline of the Congolese franc (CDF) against the US dollar
- The head office technical department was restructured during the year, resulting in restructuring costs of R9 million being recorded under administration and other operating expenditure

Statement of financial position

In summary, the group's statement of financial position was impacted by the significant increase in capital expenditure due to ongoing capital projects and the reduction in net borrowings, offset by a strengthened balance sheet post the successful capital raising and conclusion of the BEE 1 transaction.

Property, plant and equipment

At 31 March 2017, property, plant and equipment (PPE) was R12 531 million (2016: R11 716 million). Capital investments in PPE totalled R2 058 million (2016: R3 038 million), with R307 million used for the SK9 project in South Africa and the balance attributable to Zimbabwe, the DRC project and ongoing maintenance capital expenditure. The group will continue to investment in PPE over the next few years with an estimated R1 000 million to R1 200 million to be spent in each of 2018 and 2019, and R800 million to R1 000 million in 2020. Following the strengthening of the rand at year-end, a translation adjustment of

R853 million was recorded against PPE. Capital commitments at year-end were R1 071 million (2016: R3 283 million). As previously reported on the DRC project, we have identified additional potential funding requirements to which PPC will have to contribute. These payments will arise due to a delayed VAT refund, settling of bank facilities and specific capital overruns with ongoing funding of operations supported by the cash flow expected to be generated from operations.

Due to the current economic and political environments and trading performances, impairment assessments were undertaken on the cement businesses in Rwanda, Zimbabwe and DRC. Following internal reviews, no impairments were required in any of these jurisdictions. The DRC operations continue to face stiff competition with subdued selling prices and political uncertainty. Management will continue to monitor the situation and an assessment will be performed to identify any impairment at the next reporting date. Internal review assessments will be also be applied to other jurisdictions in which we operate.

Post-year-end, the group invested an additional US$4 million in Ethiopia, increasing our shareholding from 35% to 38%.

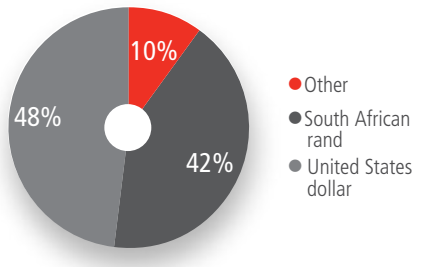
Other non-current assets

Other non-current assets reduced to R380 million (2016: R590 million), mainly due to remeasurement adjustment of R112 million against VAT receivable in the DRC which arose from devaluation of the CDF against the US dollar. A letter has been received from the relevant authorities in the DRC acknowledging the refund and giving instruction for this to be paid by the revenue authorities; however, the timing remains uncertain. The letter further states that the refund is to be utilised for payments of local suppliers and salaries.

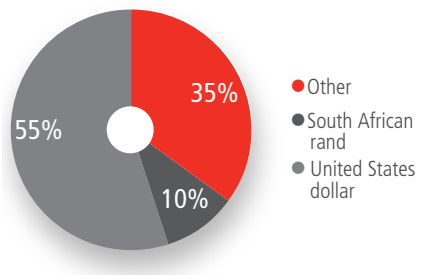
Cash and cash equivalents

The group's cash and cash equivalents ended the year at R990 million (2016: R460 million), including cash on hand and cash on deposit. A large portion of the group's cash and cash equivalent is denominated in US dollar. Due to the current liquidity situation in Zimbabwe, the full cash balance of R289 million has been recorded as restricted at group level.

March 2017



March 2016



Equity and borrowings

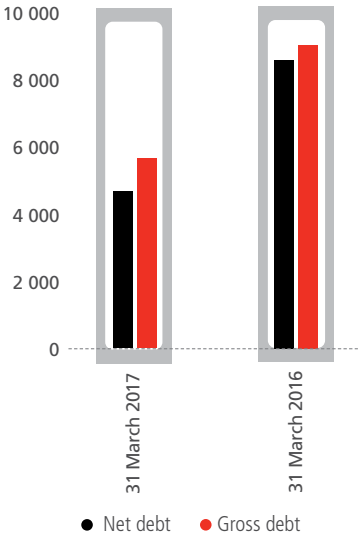
Stated capital

The stated capital balance was R3 919 million (2016: debit R1 113 million), with the increase mainly attributable to rights issue proceeds of R4 000 million and R1 041 million received on the maturity of the first BBBEE transaction.

In light of the rights issue, the group's weighted average number of shares increased to 1 137 337 834 shares (2016: 680 086 112 shares) while shares in issue ended at 1 591 759 954 (2016: 607 180 890).

Borrowings

Group debt



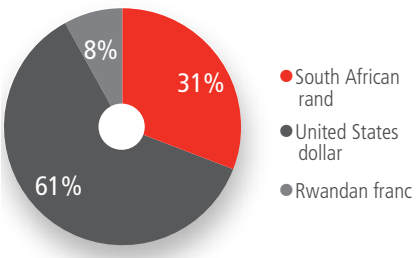
The equity proceeds, as highlighted earlier, were mainly used to reduce gross borrowings and resulted in the group's borrowing position reducing to R5 736 million from R9 171 million in 2016, strengthening the statement of financial position. Net debt to EBITDA reduced from 3,7 times in 2016 to 2,3 times. Net debt was R4 746 million (2016: R8 711 million).

CHIEF FINANCIAL OFFICER'S REPORT continued

Group debt

Borrowing profile per currency

March 2017



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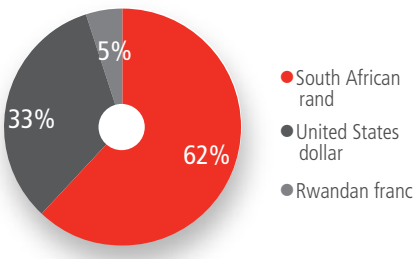
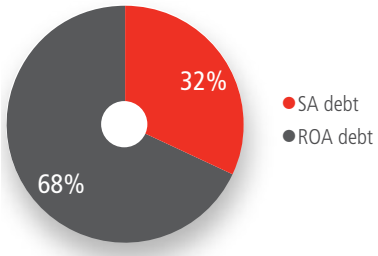


A large portion of the group's debt is denominated in US dollars, which increased during the year as further drawdowns were made on DRC project funding and the Zimbabwe capital expansion project. The debt in Rwanda has reduced in line with the terms of the facilities.

Borrowings profile per region

The rest of Africa debt has been increasing, mainly due to our expansion projects, particularly the DRC construction project. At 31 March 2017, project-related funding amounted to R3 685 million (2016: R3 372 million). The DRC project was financed on a limited recourse basis to PPC Limited. As such, any funding shortfalls prior to financial completion are for the account of PPC as first sponsor. To the extent that this amount cannot be generated from the DRC operations, PPC Limited will be required to stand behind its first sponsor obligations.

March 2017



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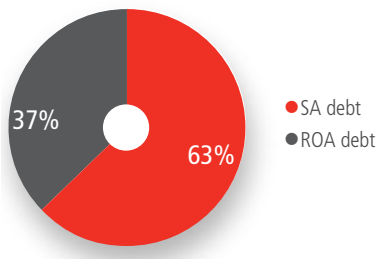


Cash flow statement

Cash generated from operations after working capital decreased by 22% to R1 871 million (March 2016: R2 389 million) were impacted by negative working capital movements. Negative working capital movements of R230 million include VAT receivable and prepayment movements of R139 million, all of which are non-trade-related.

The group's cash inflow from operating activities reduced to R845 million (2016: R1 213 million) due to costs associated with the liquidity event, lower operational cash flows and higher effective taxation paid. Net cash outflow from investing activities of R2 091 million (2016: R3 279 million) decreased as a significant capital expenditure programme comes to an end. Net cash outflow from financing activities declined by R147 million as proceeds from the rights issues were used to reduce debt by R3 billion, noting that some of the proceeds from the rights issue due to the secondary listing on the Zimbabwean stock exchange of R86 million have not been repatriated due to in-country liquidity constraints.

Significant items impacting results

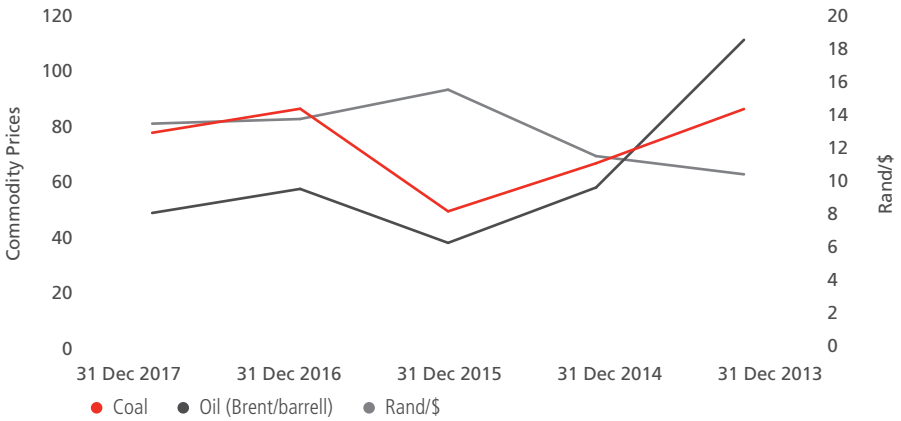
To contextualise the impact of the operating environment on our business, it is important to understand the factors that affect our ability to achieve our strategic objectives against key performance indicators.

The key risks that affected the business operations can be summarised as:

- **Commodity prices**
  The group is exposed to the volatility of commodity prices, particularly selling prices of cement, oil, diesel, packaging and coal, as these form part of our key input costs. Commodity prices are affected by macro-economic conditions, market sentiments and political risk.
- **Exchange rates**
  Revenue and capital spending significantly impacted by the volatility of multiple exchange rates (US dollar, Rwandan franc, Congolese franc and Botswana pula). Most of our commodity products, whose prices are largely based on global commodity prices, are quoted in US dollar.

  As a significant part of the group's debt is quoted in US dollar, exchange rate movements will significantly affect finance charges, further impacting our profitability and debt balances at year-ends.

Exchange rates



The graph above reflects global commodity prices quoted in US dollar. Operationally, the group has faced headwinds from increased competitor activity, the slowdown in our economic operating zones and exchange rate movements, which have impacted the group's EBITDA. There is much political uncertainty in the countries where we operate and further changes in the political landscape could negatively affect our performance.

Dividends

The company's dividend policy considers its growth aspirations as well as the prudency of its capital structure. Under current circumstances, it is prudent to address debt refinancing and optimisation of the capital structure before dividend payments are considered.

Outlook 2018

We will continue to focus on the following key initiatives:

- **Optimal capital structure, including solvency and liquidity**
  The group has strengthened its financial position through various initiatives, most notably the successful conclusion of the rights issue and BEE I transaction, as discussed earlier. We will continue focusing on the liquidity and solvency of the business. As noted, we have appointed two leading banks that are working with the group to determine the optimal capital structure. This will take into account an optimal mix of long and short-term debt relative to equity and the maturity profile of the debt. The ongoing challenges of the DRC funding shortfall will continue to be monitored.
- **BEE III**
  As noted, the company's reported BEE ownership level is below the 26% required by the Mining and Petroleum Resources Development Act (MPRDA). This is as a result of PPC's rights offer in September 2016 and the maturity of components of the 2008 BBBEE transaction in December 2016. Accordingly, the board approved a framework for the new BBBEE transaction to ensure compliance with legislation. In June 2017, however, the Department of Mineral Resources gazetted the 2017 mining charter which has significant implications for our compliance in the BBBEE scheme. The company will continue to engage with the authorities on this matter.
- **Impairment assessment risk**
  In DRC and Rwanda, there is an impairment risk on our investments due to the current economic and political environment and trading performance. Further impairment risks relate to Zimbabwe and Rwanda's deferred tax asset. We set various hurdle rates per country as a determinant for investment and evaluation purposes. Hurdle rates and weighted average cost of capital (WACC) are updated every six months as evident in the impairment assessment performed at year-end.

In conclusion, I thank our businesses for their continued support towards our financial objectives and the finance teams for their ongoing dedication to team PPC.

MMT Ramano
Chief financial officer

12 July 2017

PPC'S PROFIT IMPROVEMENT PROGRAMME (PIP)

PPC embarked on its change management programme #IGNITE in May 2015. This umbrella project focused on providing the strategy, plans and leadership needed to transform PPC into more than just a cement company. One of the focus areas was profit improvement.

PIP value proposition

The programme was designed to:

- Deliver short-term reliable results
- Drive cultural and behavioural change
- Support strategic positioning of businesses in the group
- Deliver sustainable solutions for long-term value creation

Successful implementation and execution

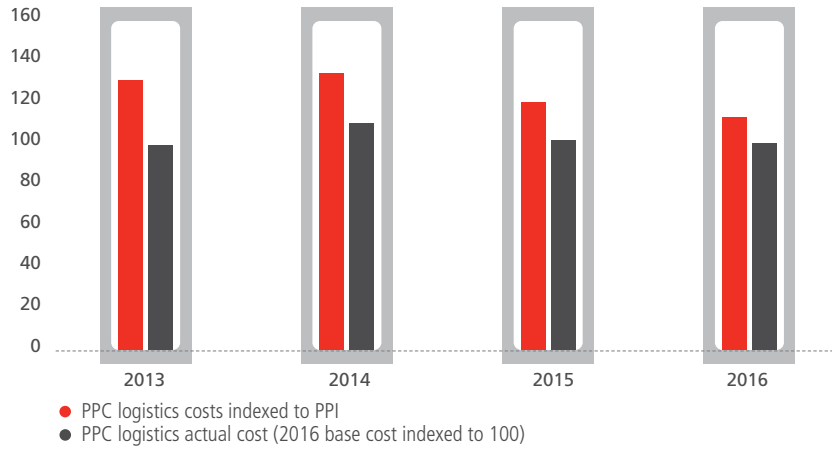
PIP has met its target of delivering R400 million in sustainable savings in a much shorter period than expected. The bulk of the savings came from cost efficiencies, with the remaining improvements coming from revenue enhancements and cost reductions. Notably, this came at negligible expense to the company.

Case study – SA Cement logistics

Logistics savings have been a major contributor to our cost-efficiency drive. In 2015, PPC embarked on an in-depth analysis of outbound logistics, as this is one of our largest cost drivers. This was to ensure that PPC was operating at optimal levels, using best-practice benchmarks while maintaining customer service excellence. This process was completed in conjunction with independent consultants and PPC's transport management system service provider. During the project, PPC was able to achieve significant cost savings by reducing the contract fleet and optimising ad hoc transporter costs.

This process culminated in PPC going out to tender in 2016 using a new logistics costing model with commercial enhancements for the contract fleet. Transport contracts were awarded to two transporters in March 2017. The new agreements will ensure PPC is able to better manage its outbound logistics cost base, with lower logistics input costs in future.

LOGISTICS COST SAVINGS INDEX BASED ON RAND PER TONNE



Last reporting period

PPC believes the success of the programme was attributable to mobilising employees across the business to manage the PIP process. While there have been tangible monetary benefits, the positive cultural shift has been a marked one. This has been key to the sustainability and success of the programme. We will no longer be reporting on PIP, but we will continue to monitor and track benefits internally.

Assurance from internal audit

To ensure the integrity of PIP, we have incorporated an internal audit process for objective assurance and independent insight into its effectiveness.

INNOVATION

As one of PPC's five strategic pillars, innovation received significant focus in 2017. The implementation of **PPC Innov8**, a best-practice web-based idea management system, was followed with various initiatives, known as challenges, on the Innov8 platform, to build depth and incorporate 'everyday innovation' into business processes.

Ideas submitted in response to the challenges focused on finding new solutions for specific business problems or site specific goals. The portfolio of opportunities or continuous improvement ideas is managed as a pipeline able to transform selected ideas into profit or organisational value. Innovation custodians and management teams across various operations manage formal review processes and site or challenge specific reward systems. Important principles guide the evaluation process to remove typical barriers to corporate innovation, ie single gatekeepers, lack of funding and inadequate feedback, and encourage a new way of thinking. The system also allows social participation, inclusiveness, collaboration and knowledge sharing.

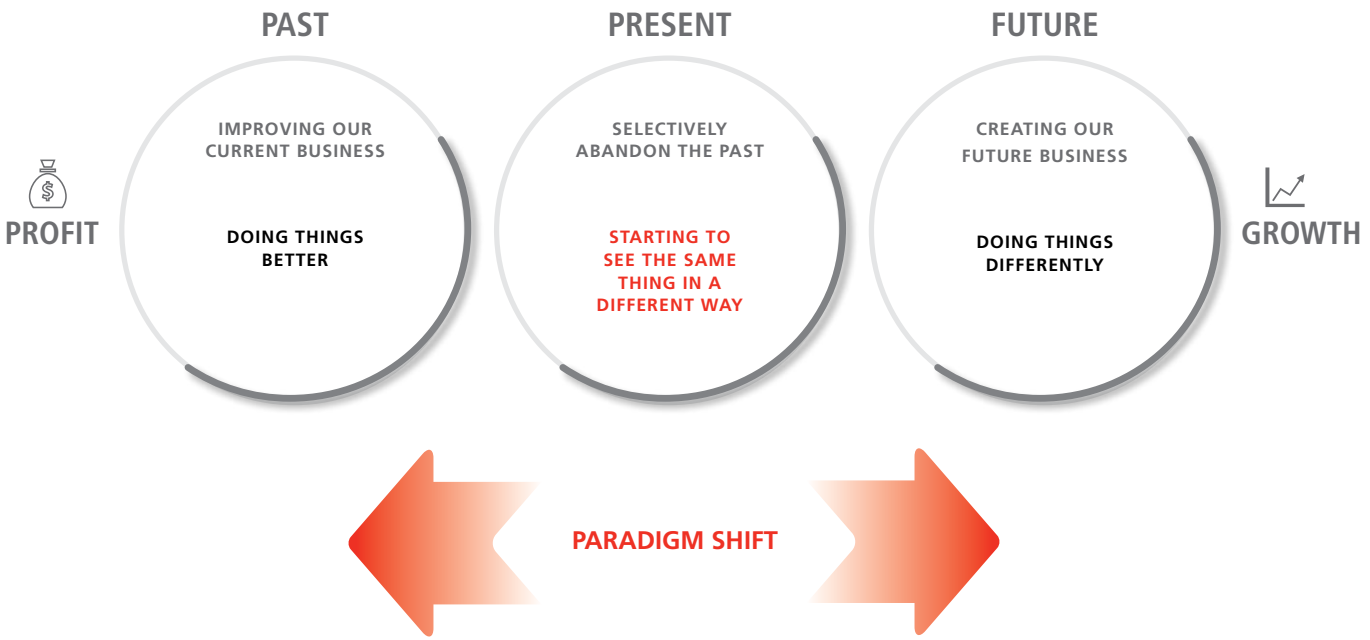
To date we have collected 970 ideas in 14 challenges, of which 800 relate to operations and business processes. During the measurement process, we identified that the project implementation stage was not adequately managed and we have added an additional process stage to measure success metrics. To date, 36 ideas have been implemented, at a cost of R650 000 with an annual projected gross saving of R2,9 million. A further 106 ideas are currently in implementation stage.

Innovation metrics will be added to balanced scorecards as part of our performance management system. These will measure both input and output success factors to ensure sustainable innovation. Innovation will also be encouraged by incorporating the desired innovation leadership behaviours in PPC's values and behaviour descriptors.

PPC participated in the SA Innovation League to measure organisational readiness for innovation. This survey is a high-level assessment of an organisation's innovation capability in four key areas: leadership and ambition, organisation and collaboration, people and culture, and implementation and measurement. We achieved a notable fifth place among invited participants in South Africa. The assessment highlighted that PPC still has to extend implementation of structured and collaborative processes in subsidiary businesses and operations outside South Africa.

We will also extend our internal innovation focus to initiate closer collaboration with customers, suppliers and partners using a co-creation space. As an example, PPC Slurry sponsored and participated in the Mafikeng Innovation Hub Hackathon in September 2016, which promoted innovation awareness and building community partnerships.

The PPC Imaginarium continues to promote innovative design and application of cement and concrete. The Imaginarium was rated best strategic project and finalist (innovation) by Business Arts South Africa.



INNOVATION continued

Innovation case studies

One of PPC's five strategic pillars is innovation. Below are two ideas, submitted via the PPC Innov8 idea management system and successfully implemented. Thirty-six ideas were implemented, with a projected gross saving of R2,9 million.

Alternative fuel enhanced by heat exchanger

Hercules has been experimenting with alternative fuels over the last year to replace diesel in heating the vertical roller mill during operation. A company approached us with oil refined from used car oil as a cost-effective alternative to diesel. The flashpoint of this oil is, however, much higher than diesel, meaning it is more difficult to ignite and burn. To process this oil through our current equipment, we needed to find a way to lower the viscosity safely and cheaply. Johan Saunders expands "we decided to build a heat exchanger, which heats the oil to above its flashpoint so we don't have to mix it with paraffin to reduce the flashpoint. This is a huge cost saving compared to the delivered cost of diesel."

Implementation cost:

R150 000

Annual saving and/or benefit:

R600 000

Repositioning piston stop improves safety

At the tippler, Trevor Thokolo noticed that the traverser piston stop was in the wrong position for longer-than-normal gypsum wagons. This could derail wagons, in turn leading to major equipment damage and process delays, particularly when the derailment has to be investigated by authorities. It also posed a safety threat to operators at the tippler. The first option was to position wagons manually which was effective, but time consuming, and decreased the efficiency of the tippler. Trevor worked with our engineering team to identify the correct place for the piston stop.

Implementation cost:

R2 000

Annual saving and/or benefit:

- Derailment cost **R300 000** with a **1%** likelihood of occurring = **R3 000**
- **Improved safety** and **turnaround time** when **tipping gypsum**

VALUE ADDED STATEMENT

for the year ended 31 March 2017

A measure of the wealth created by the group is the amount of value added to the cost of raw materials, products and services purchased. This statement shows the total wealth created and how it was distributed.

	Notes	Twelve months ended 31 March 2017 Rm	Six months ended 31 March 2016 Rm
Revenue		**9 641**	4 501
Paid to suppliers for materials and services	1	**(5 838)**	(2 568)
Value added		**3 803**	1 933
Empowerment transactions IFRS 2 charges		**(206)**	(18)
Exceptional items and impairments		**(10)**	112
Income from investments[a]		**27**	12
Total wealth created		**3 614**	2 039
Wealth distribution:			
Salaries, wages and other benefits	2	**1 663**	770
Providers of capital		**873**	535
Finance costs (net of fair value adjustments on financial instruments)		**865**	350
Dividends		**8**	185
Governments	3	**381**	114
Reinvested in the group to maintain and develop operations		**695**	620
Depreciation and amortisation		**832**	393
Retained profit		**19**	166
Deferred taxation		**(154)**	61
		3 614	2 039
Value added ratios			
Number of employees		**3 580**	3 304
Revenue per employee (R000)		**2 693**	1 362
Wealth created per employee (R000)		**1 009**	617

NOTES

1. Paid to suppliers for materials and services

Barloworld Logistics is the only supplier of services exceeding 10% of total amounts paid.

2. Salaries, wages and other benefits		
Salaries, wages, overtime payments, commissions, bonuses and allowances[b]	**1 475**	677
Employer contributions (retirement funding, medical and insurance)	**188**	93
	1 663	770
3. Governments		
Normal taxation	**284**	74
Withholding taxation	**23**	21
Rates and taxes paid to local authorities	**35**	7
Customs duties, import surcharges and excise taxes	**31**	9
Skills development levy	**10**	5
Cash grants and subsidies received from the government	**(2)**	(2)
	381	114

[a] Includes interest received, dividend income and share of associate's retained profit.

[b] Includes restructuring costs of R9 million (2016: R13 million), and share incentive schemes charges of Rnil (2016: R1 million).

SEVEN-YEAR FINANCIAL REVIEW

	Twelve months ended March 2017 Rm	Twelve months ended March 2016 Rm
Total assets	**18 035**	16 389
Net working capital[a]	**1 449**	1 119
Total equity	**8 385**	3 563
Gross borrowings	**5 736**	9 171
EBITDA interest cover (times)	**2,79**	4,17
Gross debt to EBITDA (times)[b]	**2,78**	3,85
Number of years to repay interest-bearing borrowings[b]	**6,72**	5,98
Revenue	**9 641**	9 187
Normalised EBITDA[c]	**2 074**	2 385
EBITDA[c] margin (%)	**21,4**	26,0
Effective rate of taxation (%)	**85,0**	34,4
Normalised EPS (cents per share)[d]	**47**	111
Normalised HEPS (cents per share)[d]	**47**	110
Dividends per share (cents per share)	**–**	33
Dividend cover (times)	**–**	3,5
Cash generated from operations	**1 871**	2 389
Cash conversion ratio[e]	**0,91**	1,0
Dividends paid (Rm)	**8**	321
Investment in property, plant and equipment and intangible assets	**2 077**	3 072
Investment in subsidiaries and equity-accounted investments	**18**	75
Number of shares in issue (millions)	**1 592**	607
Weighted average number of ordinary shares in issue during the year (000)[d]	**1 137 338**	680 086

[a] Net working capital is calculated as follows: inventory plus trade and other receivables (net trade receivables, other financial receivables and prepayments) less trade and other payables (trade payables and accruals and other financial payables).
[b] March 2016 calculated on a rolling 12-month period for EBITDA and cash from operations.
[c] Normalised EBITDA calculated by adjusting EBITDA for restructuring costs and corporate action.
[d] Prior periods as reported not adjusted for the impact of the rights issue.
[e] Cash conversion ratio is calculated using cash generated from operations divided by EBITDA.

Six months ended March 2016 Rm	Twelve months ended September 2015 Rm	Twelve months ended September 2014 Rm	Twelve months ended September 2013 Rm	Twelve months ended September 2012 Rm	Twelve months ended September 2011 Rm
16 389	15 257	11 575	8 876	6 907	6 419
1 119	978	1 086	1 363	1 184	1 101
3 563	3 164	2 418	2 142	1 176	955
9 171	8 221	6 091	4 046	3 585	3 510
3,46	4,56	4,67	6,04	6,22	5,93
3,85	3,48	2,58	1,66	1,54	1,64
5,98	4,45	3,56	1,91	2,17	2,45
4 501	9 227	9 039	8 316	7 346	6 826
1 157	2 424	2 374	2 504	2 327	2 146
25,7	26,3	26,3	30,1	31,7	31,4
30,8	36,6	30,1	35,8	39,9	37,8
56	148	175	214	185	166
56	149	175	215	185	167
–	57	114	156	146	130
–	2,33	1,50	1,14	1,10	1,26
813	2 716	2 583	2 885	2 284	2 102
0,7	1,1	1,1	1,2	1,0	1,0
185	559	880	770	706	876
1 188	2 892	2 182	970	640	517
75	108	665	266	214	–
667	605	605	605	551	571
526 076	526 022	526 180	522 678	524 567	526 754

OPERATIONS REVIEW

PPC GROUP

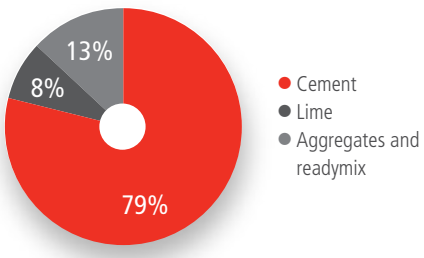
PPC has amended its segmental disclosure to reflect southern African cement operations (which include Botswana and South Africa) and the rest of Africa cement operations – DRC, Mozambique, Rwanda, Zimbabwe, and cross-border sales from southern Africa.

The materials business is reported as a separate segment.

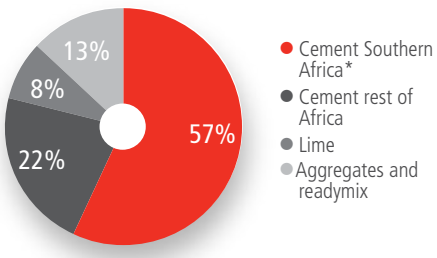
PPC's revenue was R9,6 billion.

2017 REVENUE SPLIT

Products



Operating segment



* Adjusted for inter segmental revenue

	Twelve months ended March 2017	Annualised twelve months ended March 2016
Revenue (Rm)	**9 641**	9 187
EBITDA (Rm)	**2 065**	2 385
EBITDA margin (%)	**21,4**	26
Operating profit (Rm)	**1 027**	1 594
Operating margin (%)	**10,7**	17,4
Assets (Rm)	**18 035**	16 389

Cement

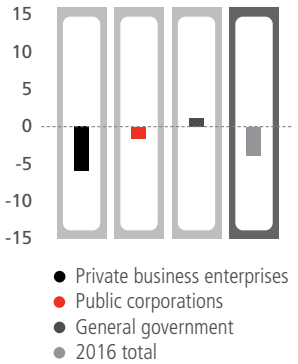
PPC Cement has a successful track record spanning 125 years as the leading supplier of cement in southern Africa. During this time PPC has expanded into Botswana, Zimbabwe, Rwanda, Democratic Republic of the Congo and Ethiopia. Our unique combination of quality products and good geographic footprint allows us to meet customer requirements in most parts of these countries.

Cement revenue up 3% to R7,8 billion while EBITDA was down 9% to R1,9 billion.

Fixed capital

Overall, real gross fixed capital formation declined by 3,9% in 2016 after increasing 2,3% in 2015, reflecting political uncertainty, subdued economic growth and low business confidence levels. This was the first negative annual growth rate since 2010. According to the South African Reserve Bank, as a percentage of GDP, gross fixed capital formation receded from 20,4% in 2015 to 19,6% in 2016, falling below the 20% level for the first time since 2012.

REAL GROSS FIXED CAPITAL FORMATION % (CALENDAR YEAR)



Source: South African Revenue Service

CEMENT SOUTHERN AFRICA

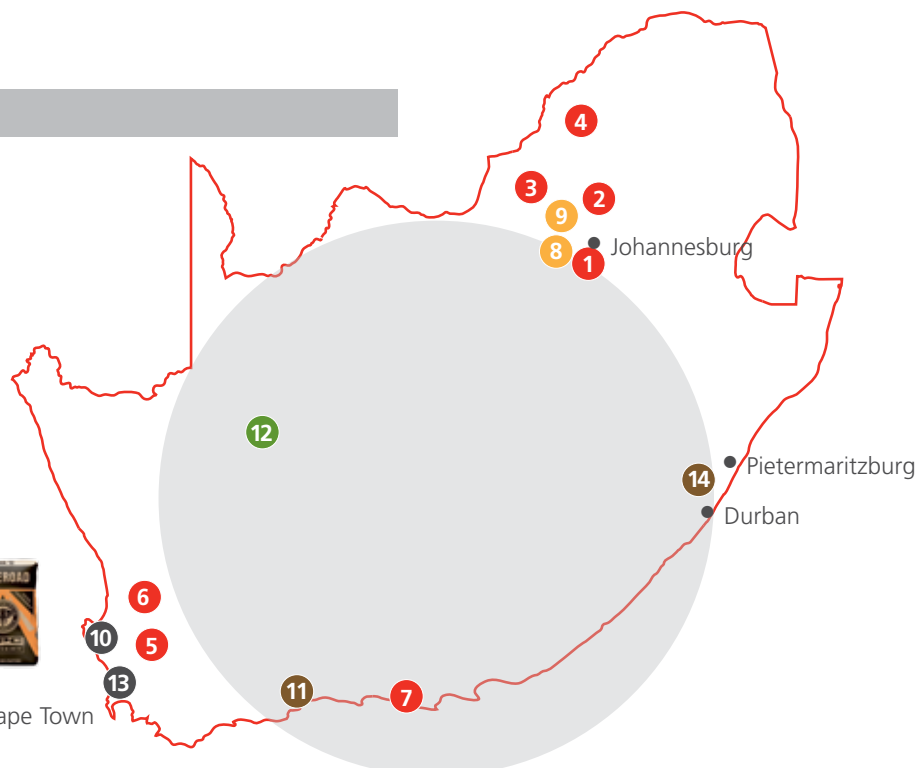
Review of 2017

The southern Africa business faced a number of headwinds in the period:

- The South African economy recorded muted growth of 0,3% which affected consumer/business confidence and translated into weak household consumption and gross fixed capital formation.
- A highly competitive landscape, especially in Gauteng, had an adverse impact on pricing. However, in October 2016 and February 2017, we implemented price increases in select market segments and regions.
- Volumes in South Africa, impacted by high rainfall inland in the last quarter, still rose by 2%. Volumes in Botswana were flat, mainly due to competition.
- Imports from China have increased 82% (from 55 000 tonnes to 100 000 tonnes) between the first calendar quarters of 2016 and 2017. In the same period, imports in the Western Cape rose from 23 000 tonnes to 30 000 tonnes.
- The SK9 project is progressing well. At 62% complete, the majority of approved capex has been deployed. Commissioning of the new kiln remains scheduled for the first half of 2018.

We believe the southern African cement market is showing early signs of improvement, especially in terms of rising prices. We will continue to focus on cost management and enhancing efficiencies at our operations. While challenges remain, we are cautiously optimistic that we have the right building blocks in place to manage these headwinds effectively.

SOUTH AFRICA



1 Jupiter
2 Hercules
3 Slurry
4 Dwaalboom
5 Riebeeck
6 De Hoek
7 Port Elizabeth
8 Laezonia
9 Mooiplaas
10 Saldanha
11 George
12 Lime Acres
13 Montague Gardens
14 Pietermaritzburg

- Cement plant
- Milling depot
- Aggregate quarry
- Lime plant
- Sales depots

OPERATIONS REVIEW continued

Highlights

- Grew sales volumes and market share in a declining market
- Curtailed trend of selling price erosion by relying on brand value proposition
- Reduction in real cost to serve the market through optimal sourcing, leveraging efficiencies of mega plants and improved strategic procurement
- Hercules vertical roller mill performance improvement (output and conversion cost)
- More than doubling substitution level of alternative fuel use at De Hoek
- Dwaalboom kiln 1 (DK1) electrostatic filter converted to a baghouse, reducing dust emissions to less than 30mg/Nm^3 in line with 2020 minimum emission standards well ahead of deadline

Demand

We estimate that cementitious volumes (including imported cement) for South Africa were negative for calendar 2016. PPC's South African equivalent volumes increased by 5% for the calendar year and 2% for the financial year.

The competitive landscape in Gauteng intensified, forcing cement prices down, particularly in the bulk market. In an effort not to follow these low prices, volumes in Gauteng were affected. Inland sales volumes rallied well across all segments in a tough market to end positive for the period.

All sectors in the coastal region again performed well, with double-digit volume increases in a positive market.

After growing for five consecutive years to 2014, imported cement volumes dropped by 37% in 2015 and a further 50% in 2016. Anti-dumping duties applied by the International Trade Administration Commission (ITAC) of 14% to 77% on Portland cement originating from Pakistan, coupled with our direct and deliberate import strategy, have reduced imports from this country.

In 2016, shipping rates more than doubled which deterred imports. However, the exchange rate improved from highs of around R16 to R13 to the US dollar which negated the high shipping rates.

Selling prices

With the second new entrant growing volumes in a declining market, cement prices were severely compromised. To stabilise prices, PPC effected phased increases in selected regions and sectors in October 2016 and February 2017. While PPC grew volumes, it was also able to maintain the price premium achieved over the years. This is testament that the PPC brand and value proposition of consistent product quality, an industry-leading delivery service and our highly respected technical support team continues to deliver.

Customers

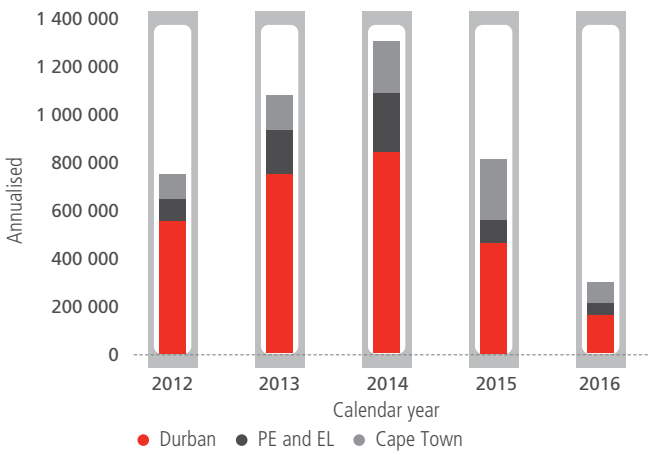
Maintaining our customer base in this competitive environment remains a key challenge, reinforcing the importance of making customers our key focus. As the retail sector strengthens, we have identified the need to focus on our ultimate customers' needs, behaviours and trends.

The combination of the strong PPC brand and migrated IDM brand performed well in the 42,5N and 32,5N retail markets. Industrial and construction sector sales were dominated by loyal long-standing customers who continue to appreciate the value in the total PPC offering.

Operations

Construction of the new 1mtpa clinker production line (SK9) at PPC Slurry is on schedule and within budget (R1,7 billion) for

IMPORTED CEMENT VOLUMES BY PORT OF ENTRY (SOUTH AFRICA)



Source: South African Revenue Service

commissioning in the first half of 2018. Overall project progress is at 62%, and we have committed 82% of the capex. The bulk of equipment is in place with the last few shipments of electrical and instrumentation equipment scheduled for June 2017.

The state-of-the-art six-stage pre-heater structure is designed to achieve optimal heat transfer and is 75% complete. Eskom has started extending the substation and is on schedule for secure power supply to PPC by December 2017.

In response to a media report alleging that the EPC contractor's foreign nationals are working illegally on the SK9 project, representatives of the departments of home affairs and labour as well as the National Union of Mineworkers audited work permits on site. Less than 1% of permits were found to be deficient and appropriate action was taken. PPC is fully committed to the highest ethical standards and, as part of its project management activities, continues to monitor compliance with all government regulations and protocols for labour employed on the project, including both local labour and scarce skills sourced abroad.

Safety

Nineteen lost-time injuries were recorded at South African cement sites, leading to an LTIFR of 0,56 (refer to page 106).

Outlook

South Africa's recent credit rating downgrade to sub-investment grade by S&P Global Ratings and Fitch will have far-reaching consequences for the economy, with declining growth projections. The Bureau for Economic Research now expects real GDP growth to measure 0,6% in 2017 (previously 1,0%) before moving to 1,3% (from 1,8%) in 2018.

The forecast is particularly disappointing in light of the expected improvement in the external environment. Stronger global growth, higher commodity prices and positive investor sentiment on emerging markets in general should, under normal circumstances, provide more of a boost to domestic economic activity. However, increased political risk and continued policy uncertainty will probably erode any benefit of an improving global backdrop.

Consumer demand is expected to remain weak on the back of subdued growth in disposable income, tight credit conditions, and low consumer confidence levels. More restrictive fiscal policy and weak employment conditions are some of the factors weighing on disposable income.

The year was characterised by political uncertainty, subdued economic growth and continued low business confidence levels. Disconcertingly, until 2018, these factors are expected to continue weighing on real fixed investment, particularly private sector fixed investment. Private non-residential fixed investment is a major driver of cement demand.

Cement product range

The product range sold in South Africa includes IDM (32,5), SUREBUILD (42,5N), OPC (52,5N) and the specialist brand, SUREROAD (32,5N).

Value creation

Implication for value	Strategic response
– Impact of stagnant economic environment, new competitors and selling price pressure on profitability	– Leverage the PPC brand and total offering by delivering a superior service and product – Enhancing own product range
– Consolidation in the retail sector	– Pursuing solution-driven offerings – Provide leading brand to draw customers
– Cost competitiveness in an inflationary environment	– Perfect own optimal sourcing model – Energy-efficiency management – Alternative fuel opportunities – Clinker factor improvement – Enhance fixed-cost absorption

OPERATIONS REVIEW continued

BOTSWANA

1 Gaborone ● Milling depot

Highlights

- Completion and handover of BWP4 million house to winner in *PPC Building Dreams* competition
- Customer diversification drive; attracted customers to PPC from competitors
- Major construction projects secured despite aggressive pricing from opposition include a multi-storey residential and shopping complex in the city centre and a major 95km pipeline project between Gaborone and Kanye

Company overview

PPC Botswana has a milling, packaging and dispatch operation in Gaborone supporting a national distribution network.

Review of 2017

Botswana's economic outlook is stable. According to the 2017/18 budget projections, the economy is expected to grow at 4% given the expected recovery of the diamond sector and growth across non-mining sectors. With general elections scheduled for 2019, national development spending is expected to increase in the 2017/18 fiscal year.

The cement market remains challenging, with increased supply from competitors. PPC Botswana grew volumes 1% in the period and maintained its leadership in this competitive environment, supported by sustainable relationships in the retail and construction sectors. Management has a robust business development strategy for lobbying with corporate Botswana on current and anticipated building projects, in the knowledge that riding out these cycles will create value over the long term.

Safety

We are particularly pleased with our safety record, with zero lost-time injuries for the review period. Our aggregates operations achieved a 12-month rolling average of 261 000 injury-free hours while our cement operations exceeded 1 200 000 injury-free hours for the period.

Outlook

The Botswana economy is expected to begin improving after a slump in the prior year, supporting our expectation of an increase in large-scale projects. Our strategy is premised on working closer with government as a strategic partner. We are also looking into forging better partnerships directly with contractors and expanding our retail relationships beyond the current base.

Value creation

Implications for value	Strategic response
Continued depreciation of the rand against the pula heightens the advantage for competitors supplying from South Africa	PPC Botswana has an appropriate exchange rate policy
Product portfolio mix not competitive	Continue to explore further portfolio opportunities, eg introducing specific products to the Botswana market to address competition
The country's economy is mainly government driven; as a result, less government spending means little spending on infrastructural projects where cement demand is high	Continue lobbying government at all levels to maintain local status, in line with government's economic diversification drive

Cement product range

The popular 32,5R, BOTCEM product, manufactured at the Gaborone milling depot, is complemented by the OPC and SUREBUILD brands.

CEMENT REST OF AFRICA

From an international perspective, this year was a very exciting and challenging year with many positives. PPC had three major projects under way outside South Africa, all heading for completion which meant commissioning at the same time. This is the culmination of our strategy to expand PPC's footprint across Africa in 2010. These greenfields projects included fully integrated cement plants in DRC and Ethiopia, and a milling plant in Harare, Zimbabwe.

By April 2017, all three projects had been successfully commissioned. In March 2017, PPC's Harare milling plant, which was commissioned in August 2016, was officially inaugurated by His Excellency, President Mugabe. In the same month, PPC Barnet DRC produced its first clinker and cement. This was followed a month later by the inauguration of Habesha Cement in Ethiopia by His Excellency, Prime Minster Ato Hailemariam Desalegn, rounding off a milestone period in our history.

As each of these investments developed from project phase to operations, so the role of the PPC international team evolved from providing guidance and oversight on the project to establishing the business systems and PPC's operational architecture. Working with the local leadership team, the focus of the PPC international management team in our new operations in DRC, Ethiopia, Rwanda and Zimbabwe has been on developing and implementing country strategies, aligned to the group strategy, but responsive to local market dynamics. In the year ahead, the focus will be on embedding PPC's best practices and developing local skills that will enable the teams to manage the ramp-up of these businesses.

Demand across the continent is driven largely by government investment in infrastructure. The macro-economic climate in each country adds to the dynamics of doing business. While most of the environments where we operate may seem overcapacitated, cement consumption per capita is still way below global averages. This implies opportunities to unlock latent demand which, in turn, drive our growth prospects. We remain positive that strategies developed in the respective countries will spearhead our success in these markets.

OPERATIONS REVIEW continued

DEMOCRATIC REPUBLIC OF THE CONGO (DRC)

1 Kinshasa
2 Kimpese

Sales depots
Cement plant

Highlights

- Hot commissioning started in February 2017 after bulk power supply to the plant completed
- First cement and clinker produced in March 2017
- Start of production in April 2017, with first sales in that month
- In addition to key investment incentives by the country's investment promotion agency, ANAPI, the ministry of finance has awarded fiscal incentives to the manufacturing business for a four-year period starting from January 2016

Company and project overview

PPC, in partnership with the Barnet Group and International Finance Corporation (IFC), constructed a 1mtpa integrated cement plant for some US$300 million (previously US$280 million) in DRC. The plant is near Kimpese in Kongo Central province in western DRC, 230km south-west of the capital Kinshasa.

The new plant is 60% project debt funded with the IFC and PTA Bank as joint lead arrangers. PPC Barnet DRC is 69% owned by PPC, 21% by the Barnet Group, our local partner, and 10% by the IFC.

Review of 2017

Construction was completed on schedule, but hot commissioning was delayed to February 2017 due to delays in constructing and commissioning the overhead transmission line to supply power to the cement plant. Construction of a village to house company employees will be completed by June 2017, with more than half the houses handed over to date.

A quarry was developed and is ready to supply the factory with limestone and other raw materials during production. Supply contracts for imported inputs including coal, gypsum and cement bags were finalised and adequate quantities delivered to site for commissioning and production purposes. All operational and management staff have been recruited and relevant employees trained at existing PPC facilities in the necessary skills and PPC best practices.

A comprehensive route-to-market strategy was developed that includes branding and advertising, product and pricing strategy, distribution logistics, customer support and service as well as design of the back-office sales system. The PPC brand is well established and recognised in DRC in preparation for the sales launch in April.

The trading environment in DRC remains difficult, with lower pricing levels due to low-cost imports from neighbouring Angola. In addition, a competitor in DRC started production in January 2017 and is actively trading in this market. The local cement producers' association continues to engage with government on industry protection as it moves towards self-sufficiency. Prices in the local market are expected to recover after support from the government is achieved.

Safety

The business continues to record excellent safety results, with only one lost-time injury during the year translating to an LTIFR of 0,06.

Outlook

After four years at 7,9% pa, GDP growth declined to 6,9% in 2015 and is forecast at 2,8% and 4,1% for 2016 and 2017. This has significantly affected government spending. The exchange rate is deteriorating rapidly against the US dollar and CPI is forecast at 33,5% for 2017. Political agreement was reached between major parties in December 2016 but has not been implemented against the agreed timeframe. A positive political move by the governing party, in conjunction with a recovery in commodity prices, should improve the local economy and, therefore, cement demand.

Strategies to reduce the risk on the project to PPC are being explored.

Cement product range

PPC Barnet produces 32,5R and 42,5R products.

Value creation

Implications for value	Strategic response
Shortage of cement specific skills in the country	Expatriates are tasked to transfer skills with the expectation of replacing them with local talent within two to three years Local operators will be trained by EPC contractor specialists who will stay on site for the next year The local management team and core operators are trained at PPC facilities to improve skills and become proficient in PPC best practices and procedures PPC established a technical training centre at the plant to increase the technical skills pool available for recruitment and further train employees to improve skills levels A technical concrete competence is being developed to increase use of cement in the local market
Government protection of cement industry against imports	PPC Barnet DRC was a founding member of the local cement industry forum that continues to lobby government for industry protection Government has implemented several measures to date

ETHIOPIA

1 Habesha Cement ● Cement plant

Highlights

- Plant commissioned in February 2017 after bulk power supply completed
- Plant inaugurated by Prime Minister Desalegn in April 2017, with start of production in June 2017
- Improved safety performance

Company and project overview

Habesha Cement Share Company (Habesha) is a cement manufacturing business and the first of its kind in Ethiopia, with 16 500 local shareholders. It has constructed a fully integrated cement plant with a capacity of 1,4mtpa in the town of Holeta in Oromia regional state, 35km from Addis Ababa.

PPC owns 38%, while South Africa's Industrial Development Corporation (IDC) holds around 20%.

Review of 2017

Commissioning started in early February 2017 when the bulk power supply was completed. After the kiln was fired up in April, the plant went into production with first sales in June 2017.

Despite some challenges with the safety culture, the construction team's adherence to the safety system resulted in no lost-time injuries for the review period. This is a marked improvement on prior years.

The Habesha plant has been designed to world-class standards, and all processes are expected to comply to these standards. Dust emissions are expected to be as low as 30mg/Nm^3. Mine development is under way and all environmental authorisations have been granted. In addition, the mining plan has been designed and will be monitored to ensure compliance to the national mining code.

As the cement industry in Ethiopia is well established, technical cement skills are readily available, particularly operational and maintenance staff. The proximity of the Habesha factory to Addis Ababa has enabled the company to attract some of the country's most experienced staff.

Outlook

Analysts expect GDP to grow to 6,9% in 2017 (Ethiopia Economic Outlook, FocusEconomis). Cement demand in Ethiopia still exceeds supply and imports are banned. This is expected to remain the case in the short term. Cement sales for Habesha product are expected to grow in line with the factory ramp-up.

Demand is driven by the retail and construction segments, which account for over 85% of the market. Habesha's route-to-market strategy is designed to leverage these segments through product availability and service innovations.

Our 16 500 local shareholders are our most loyal brand ambassadors as we establish Habesha as a leading Ethiopian cement brand.

Value creation

Implications for value	Strategic response
Habesha is a new entrant and needs to establish itself as a brand and gain market share	Brand proposition, *Habesha is more than cement*, designed to differentiate it from other cement brands
Habesha's value proposition	Introduce innovative route-to-market solutions
Enhanced customer experience	Provide superior product knowledge

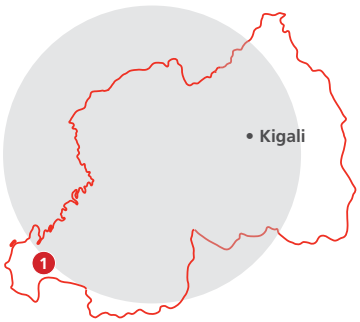
Product range

Habesha produces two products

- Ordinary Portland Cement (OPC) CEM I 42,5R
- Portland Pozzolana Cement (PPC) CEM II B-P 32,5N

OPERATIONS REVIEW continued

RWANDA



1 CIMERWA Limitada ● Cement plant

Highlights

- Achieving majority market share in a declining market
- Successfully implementing transport management system – currently 40% of local volumes are direct deliveries

Company and project overview

PPC holds 51% in CIMERWA Limitada, the market leader and only integrated cement producer in Rwanda, with a well-established brand. The company's production plant is in Bugarama, Rusizi district in the southern region, bordering DRC and Burundi.

In 2015, CIMERWA commissioned the technologically advanced 600 000tpa cement production plant at a cost of US$165 million, followed by satisfactory progress with the two-year ramp-up phase and optimisation exercises aligned with growing volumes.

Review of 2017

In CIMERWA's first full year of trading after commissioning the new plant, market share has more than doubled to over 50%. This growth comes on the back of a 5% decline in domestic volumes for the review period. Export volumes improved, particularly in eastern DRC. However, due to political uncertainty in neighbouring Burundi, opportunities to exploit this key market have not materialised. In support of initiatives to improve customer service and reduce logistics costs, a route-to-market strategy is focused on developing transport capacity in Rwanda to support growing volumes.

In response to domestic volumes, management implemented operational efficiency initiatives to reduce costs. This was driven primarily by optimising the thermal energy mix and packaging costs. Overall plant performance for the year was satisfactory, with further improvements expected from current initiatives. Emissions were maintained below 50mg/Nm^3 in compliance with permit conditions.

Internally, organisational structures were reviewed to ensure successful execution of the business strategy and support the objective of achieving a high level of localisation by 2020. Developing human capital and local talent remain a high priority to advance key technical skills and entrench our position in the region.

To develop secondary businesses in the country, CIMERWA launched empowerment initiatives focused on creating small and medium enterprises (SMEs) to supply goods and services internally and externally. These include tailoring to manufacture overalls and carpentry to supply furniture to the plant and village. The initiatives reflect the company's strategy to empower local communities.

Safety

Through initiatives to improve safety in the workplace, the 12-month rolling average LTIFR at year-end declined to 0,55, with 60 days since the last safety incident. Good progress is being made on employee training and awareness, equipment redesign and engineering controls to improve safety performance.

Outlook

According to the Africa Development Bank Group, Rwandan GDP growth for 2017 is expected to average 7,2% and recover strongly in 2018 and beyond. Cement growth should follow a similar trend. The gradual ramp-up of operations and optimisation will continue and the plant should reach full capacity in the next two years, benefiting from its location to supply cement to Rwanda, eastern DRC and Burundi.

Aligned with the government's national development plans and a growing middle class, cement demand is expected to grow steadily over the medium term. The percentage of the population living in urban settlements is expected to rise from 17% at present to 35% by 2020. In line with national plans, six secondary cities were selected to promote urban development outside of Kigali. Support from the government to promote consumption of Rwanda-made products, protect the local currency and reduce the trade deficit will be key to sustaining local businesses.

Value creation

Implications for value	Strategic response
CIMERWA's priority is to grow volumes, increase plant capacity utilisation and realise shareholders' return on investment	Focus on entering new markets and finding new distribution channels Increase product offering and realign route-to-market strategy to meet customer expectations
Operational cost-reduction plans that include using alternative fuels	Reducing electrical energy consumption, localised procurement and optimised inbound and outbound logistics should improve competitiveness and grow secondary businesses
Forecast devaluation of the Rwandan franc against the US dollar in FY2018	Regional exports remain a key focus Increase localisation of input materials to preserve foreign currency

Cement product range

CIMERWA produces 42,5N and 32,5N Portland Pozzolana cement.

ZIMBABWE

1 Colleen Bawn
2 Bulawayo
3 Harare

● Clinker plant
● Milling plant

Highlights

- The new modern Harare milling plant was completed and commissioned on time and below budget
- Excellent safety record maintained
- Cost of production reduced through efficiencies
- Implementation of energy monitoring system at Bulawayo milling factory in third quarter has assisted with accurate benchmarking and generated energy saving of 16% on maximum demand (kVA)
- Launch of SURECAST product well received in the market
- ISO 14000 environmental management systems certification at Bulawayo and Colleen Bawn operations

Lowlight

- Erratic quality of power supply from national grid

Company and project overview

PPC Zimbabwe is a 70%-owned subsidiary of the group, comprising a clinker manufacturing operation at Colleen Bawn as well as two milling and packaging plants in Bulawayo and Harare. It is both the market leader and largest cement manufacturer in Zimbabwe, with a well-established brand.

After commissioning the new 700 000tpa grinding and dispatch plant in Harare in November 2016, total installed capacity exceeds 1,4mtpa. We remain the only supplier in Zimbabwe capable of offering palletised cement, which has reduced cost and improved customer service.

Review of 2017

Zimbabwe's liquidity shortages constrained provision of water and electricity, delayed payments to foreign suppliers and, ultimately, the procurement of critical inputs and raw materials. They also depressed consumer spending and aggregate demand in the cash-strapped economy. This was aggravated by persistent rainfall in the last quarter of the review period, subduing domestic cement demand.

Weakening regional currencies against the US dollar continued to position Zimbabwe as an attractive destination for imports while affecting opportunities for exports. Cement importation declined slightly from the prior year while exports decreased considerably. To maintain competitiveness in the market, the focus was on improving operational efficiencies and delivering on our route-to-market strategic initiatives. Against this backdrop, domestic volumes were down 3%.

Construction of the US$82 million (previously US$85 million) Harare mill was completed on time and below budget. The plant was fully commissioned and all performance guaranteed specifications were achieved. This strengthens our position as a market leader in the country and is expected to reduce our lead times to customers. Aligned to the addition of the Harare facility, PPC Zimbabwe launched SURECAST (CEM II 42,5R) cement to expand the product offering and create value for cement product manufacturers and concrete producers due to improved early strength development. Bulk volumes remained relatively flat compared to the previous year, signifying the company's dominance in the construction sector.

The clinker producing operation at Colleen Bawn performed exceptionally well in the year, with variable production costs dropping 20% on realised operational efficiencies. Project scoping and contractual agreements for the clinker out-loading facility at Colleen Bawn, to improve loading while reducing fall-out dust, were completed during the year and construction is expected to begin in the first quarter of the next financial year. Underscoring our group environmental policy, both Colleen Bawn and Bulawayo milling plants were ISO 14001 (environmental management system) certified.

Safety

PPC Zimbabwe's operations maintained their zero LTIFR status, with Colleen Bawn at 1 857 days and Bulawayo at 1 413 days. Harare mill project closed at 670 days zero LTIFR status and plant operations had reached 89 days at year-end.

Outlook

Consensus expects the economy to contract by 1,7% in 2017 before expanding by 0,5% in 2018. Although stronger tobacco harvests will see the start of a recovery in 2017, the country's fiscus will remain under intense pressure as recessionary conditions constrain revenues.

Good rains during 2016 boosted agricultural yields, particularly tobacco which generates significant forex for the country. This is expected to improve liquidity in the short term.

Predominant use of the strong US dollar is expected to continue affecting export competitiveness and remittances, while stimulating appetite for imports. To achieve positive results, economists suggest the country should remain focused on production and improving foreign currency earnings through exports and diaspora remittance

OPERATIONS REVIEW continued

inflows. However, ongoing deindustrialisation conflicts with this approach.

The deteriorating economic environment and resultant liquidity issues have resulted in challenges with the processing of foreign payments by the banks in Zimbabwe. During the year, both volume and selling price declines were experienced.

Although capacity utilisation by Zimbabwe's manufacturing sector rose 18% to 47% in 2016, experts believe this figure only looks good on paper as it was largely due to distortions after over 230 companies closed and are no longer considered in a nationwide survey. For retailers, the economic outlook is more positive as they expect industry capacity utilisation to improve strongly after government intervention in the form of statutory instrument 64 of 2016 which prohibits importation of certain goods.

Commissioning of the Harare mill is expected to reduce outbound logistics costs while increasing accessibility to northern markets. The company is well positioned for the expected economic upturn, and infrastructural developments and investments in the medium term. Harare and Bulawayo operations are suitably located to grow exports into neighbouring countries and this will be prioritised. Strong focus on operational efficiencies, developing our people, route-to-market initiatives, product innovation, safety and environmental compliance will remain focus areas in the next year to embed our position domestically and regionally.

Cement product range

OPC, SUREBUILD, PMC and Unicem are produced and distributed from the Bulawayo factory while Unicem, PMC and SURECAST are available from the Harare factory.

Value creation

Implications for value	Strategic response
The challenging domestic market, socio-political issues, increasing input costs and inability to service foreign debts as well as the introduction of bond notes to alleviate US dollar shortages are expected to increase inflationary pressures and reduce disposable income	We will diversify revenue streams, increase localised procurement and grow export volumes in neighbouring countries
New entrants and strengthening of the US dollar against regional currencies have intensified competition in the market. Given declining economic activity in Zimbabwe, this trend is expected to worsen	To strengthen our competitiveness, we will improve our route-to-market strategy, enhance our customer value proposition and derive value from our national footprint and operational excellence
Integration of Harare milling plant	Optimise sourcing model
Develop technical competence in cement application	Differentiation strategy
Market competitiveness driven by devaluation of regional currencies and new entrants into the market	Cost reduction and product innovation to enhance value creation

MATERIALS BUSINESS

In line with our strategy to be a world-class provider of materials and solutions, we consolidated PPC Aggregates, Pronto Readymix and 3Q, Ulula Ash and PPC Lime into a materials business, reporting to SA operations through a management committee.

The focus areas for this business in 2017 included:

- Efficiency improvement and cost control
- Restructuring our aggregate and readymix concrete businesses
- Expanding our product offering and customer service
- Supporting and increasing cement volumes
- Pursuing opportunities to grow the materials business

PPC acquired 3Q on an asset-for-share agreement of R135 million in July 2016 to extend our readymix footprint. It has also added focus on competing for and securing large project-based work.

Safety

The materials business had a poor year on safety, especially at our lime operations and 3Q. Regrettably, we recorded one fatality at 3Q's Rustenburg plant and three LTIs across this business. There were also three LTIs at Lime Acres and one at Ulula's Kriel plant, taking total LTIs for the year to seven.

The division remains committed to ensuring a safe and healthy working environment for all its employees.

Following assessments at Lime Acres, current focus areas include:

- Safety culture survey
- Behaviour benchmark
- Snakes and hazards programme (currently in the roll-out and coaching phase)
- Renewed focus on mindful leadership visits

Action plans implemented at 3Q include:

- SHE representative and legal compliance training (completed)
- First aid and firefighting training (completed)
- Safety management meetings implemented
- Revision of all risk assessments (under way)
- Introduction of snakes and hazards programme (roll out planned for 2018)

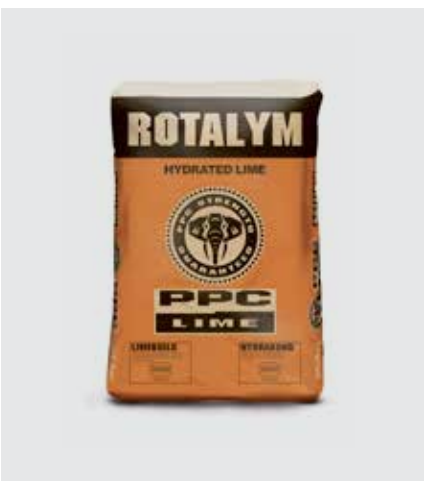
Aggregates

PPC has four aggregate quarries: two in Gauteng, South Africa (Mooiplaas and Laezonia) and two in Botswana (Gaborone and Francistown). These quarries supply quality construction aggregates to the building and civil construction sector. Mooiplaas also supplies products for the chemical, metallurgical and agricultural industries.

Review of 2017

In South Africa, sales volumes were down 6% on the comparative 12 months. This reflects lower sales in the readymix concrete segment due to competitor activity, offset by improved sales in the concrete product manufacturers segment. Above-inflation increases for power, labour and certain maintenance spares were partially offset by cost saving initiatives and efficiency improvements. Major projects supplied in the period included the N14 rehabilitation phase 1, Cedar Road phase 1 and Fourways Mall extension.

The aggregates trading environment in Botswana remains tough, especially around Francistown. The Gaborone market improved in the latter part of the year. The strategic consolidation of our operations paid off in improved cost and plant performance, while positioning our business as a major supplier of construction aggregates in the greater Gaborone and Francistown markets.



OPERATIONS REVIEW continued

Outlook

The outlook for our Gauteng-based quarries in FY2018 is expected to improve due to major projects in our operating areas, specifically phase 2 of the N14 rehabilitation project. Increased competition in the readymix concrete, concrete product manufacturers and base course (road construction) market may affect volume and pricing. The tertiary plant upgrade at Laezonia will increase capacity by some 65% and improve operational efficiency and flexibility.

In Botswana, we expect a marginal increase in sales volume from projects in the Gaborone central business district and some road construction projects. The aggregates industry is expected to remain very competitive, but we anticipate an improved performance from the restructured business and optimised support services.

Our participation in construction activity will depend on our regional footprint relative to the location of these projects. Further improvement in all key performance drivers will enable us to provide construction material solutions that increase value to all stakeholders.

Ulula Ash

Ulula Ash supplies fly ash to the southern African market from its beneficiation plant at Eskom's power station in Kriel, Mpumalanga. Producing both classified and unclassified fly ash, the plant is designed and operated to facilitate excellent turnaround times for tankers collecting loads. Ulula Ash has recently penetrated various markets in supplying cement, concrete, readymix, civil building, blenders, tile adhesives, mining and ash sand operations.

Review of 2017

Volumes increased by 10%, predominantly by capitalising on transport efficiencies and targeting niche markets. Ulula has extended its contract with Eskom at Kriel for another five years.

Outlook

With the upward trend in commodities and the positive outlook for cementitious products, we expect to maintain sales and profitability. Key to growing the business is expanding our capacity.

Lime

PPC Lime is the leading supplier of metallurgical-grade lime, burnt dolomite and related products and solutions in southern Africa. Products are used in key local industries such as steel and alloys, food manufacturing, gold, uranium and copper mining, as well as water purification and other environmental applications. Steel manufacturing will remain the biggest consumer of lime-related products in the South African market for the foreseeable future, with growth potential in environmental applications.

Review of 2017

Sales volumes were affected by a three-month shutdown at a major client. Despite this, volumes were similar to the comparative period with an encouraging increase in sales in the last quarter. Conditions in the local steel industry remain tough, but with improved relationships between government and local steel producers, most steel producers reported better order books for the first six months of FY2017.

Readymix

Pronto is a leading supplier of quality readymix concrete and mortars, with 10 batch plants in the greater Gauteng area supplying key commercial and industrial projects.

3Q expanded our readymix footprint from Gauteng, adding 17 plants based mostly in Mpumalanga and North West provinces, as well as Limpopo and Northern Cape.

Review of 2017

Margins and volumes were under pressure due to reduced selling prices and a concentrated building industry in our operating area. On the cost side, Pronto recorded a solid performance, reducing operating costs by 2,8% after stripping out inflation. Mortars volumes also contributed to Pronto revenue, reflecting their growing popularity especially among larger contractors.

In its first nine months, 3Q did not perform as expected, mainly due to the slowdown in the infrastructure sector of the business and a slowing mining segment. More positively, it increased share in the commercial markets of larger towns in North West and Mpumalanga.

The truck replacement programme began during the year and will be reviewed annually. Two new plants were commissioned in Gauteng – Rosslyn and Sebokeng.

Outlook

The outlook for 2018 remains flat as the construction industry is showing no real signs of recovery. We also expect competition to remain aggressive, both in terms of current cement price offerings and new entrants. Pronto will continue focusing on operational excellence and good customer service to maintain market share and profitability. We anticipate more growth in the mortar sector.

3Q will continue to focus on the project-based business and rural commercial markets. Some expansion into new operating areas is likely. The focus will remain on improving operational performance and integrating into Pronto to benefit from synergies.

Revenue per tonne sold was flat as a result of customer mix, while cost of sales (rand per tonne) was contained through savings on coal costs and operational efficiencies.

Capital expenditure focused on preparing for value-add opportunities by increasing capacity for additional products.

Outlook

New supply agreements for water treatment applications and the slightly better outlook for local steel producers could improve the lime sales outlook for FY2018. ArcelorMittal SA and the Department of Trade and Industry have signed a five-year agreement on steel pricing principles, which is intended to achieve a fair price for steel and enable ArcelorMittal to earn a reasonable margin from domestic sales while being competitive and efficient. The International Trade Commission of South Africa has also confirmed that safeguarding duties for the production of hot and cold-rolled coil are in the final stages of implementation. This should further protect local primary steel producers from cheap subsidised imports.

The focus will be on value-adding opportunities while ensuring the market for high-reactivity metallurgical products is served. Reducing fixed cost and further optimising production operations remain priorities in FY2018.

Value creation

Implications for value	Strategic response measures
Aggregates exposure to regional markets due to small zone of natural advantage in a highly fragmented and competitive environment keeps pressure on revenues and margins	Plant flexibility improvement (product yield) Operational performance enhancements Product range diversification (specialised products)
Lower concrete prices, especially in Gauteng, significantly affect margins for the readymix business	Operate optimally Identify and target specific projects Integrate the businesses to reduce operating costs Identify opportunities to expand footprint in areas where we currently do not operate
Given the expected upward trend in commodities and positive outlook for cementitious products, we expect to maintain sales levels for fly ash	Grow the business through expansion of capacity Focus on service of current customers and continued product expansion into new markets
PPC Lime's customer base is concentrated in the local steel industry. Any change in local steel production will have a marked effect on PPC Lime results	Ensure we remain the supplier of choice for the local steel industry by maintaining excellent product quality and reliable supply Focus on diversification and value-add opportunities

THE COMMUNITIES WE BUILD WILL BUILD US

The Minister of Health and Wellness, mandated to provide comprehensive health services to the nation, aims to improve the physical, mental and social well-being of every Motswana to fully contribute to the development of Botswana.

PRODUCT:
PPC supplied 5 300 tonnes of cement

P193 million (R237 million)

Project cost

MINISTRY OF HEALTH, BOTSWANA

24° 39'21.4956" S
25° 54' 29.6082" E

CORPORATE GOVERNANCE REVIEW

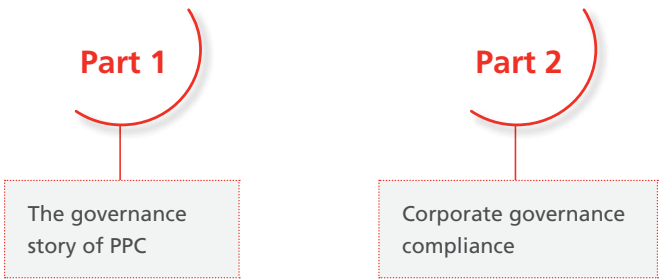
Introduction

PPC Ltd (the company) and its subsidiaries (the group) are committed to maintaining a high standard of corporate governance and, as a listed public company, PPC complies with the King III Code on Corporate Governance.

After lengthy public consultation, the King IV Report on Corporate Governance for South Africa was officially launched on 1 November 2016. The final report, which reflects some changes and refinement since the draft, replaces King III (2009) in its entirety and is effective for financial years from 1 April 2017. While PPC has started the process of understanding and applying King IV, this review is based on the requirements of King III.

To avoid duplicating information, we cross reference to other sections such as the reports of the audit committee, risk and compliance committee, and directors.

This review is structured in two parts, in line with best practice in governance reporting:



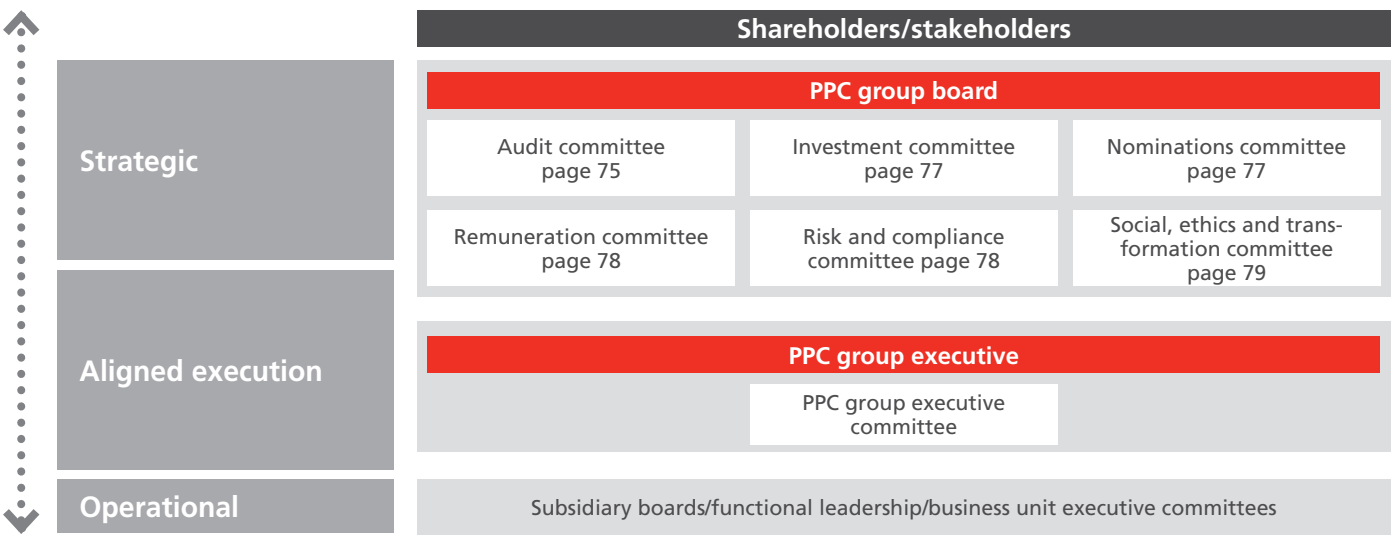
Part 1

PPC's governance philosophy

PPC Ltd was established in 1892 as De Eerste Cement Fabrieken Beperkt. Our history is closely linked to the growth and development of South Africa and PPC has produced cement for many of the country's most famous landmarks and construction projects.

The group has nine manufacturing facilities and three milling depots in South Africa, Botswana, DRC, Ethiopia, Rwanda and Zimbabwe that can produce around eight million tonnes of cement products each year. As part of its strategy and long-term plan to grow revenue, the group is expanding its operational footprint into the rest of Africa. PPC also produces aggregates, metallurgical-grade lime, burnt dolomite and limestone.

Governance in PPC is subject to oversight by the group board of directors and its board charter assigns responsibility for strategic direction and control of the company to the board. The board exercises this control through the company's governance framework (shown below), which includes detailed reporting to the group board and its committees, and a system of assurances on internal controls.



Ethics

Ethics are the rules or standards that govern the decisions made in PPC on a daily basis. Ethics implicitly regulate areas and details of behaviour that lie beyond governmental control. The ethical issues encountered by businesses on a daily basis include the rights and duties between the businesses and their employees, suppliers, customers and neighbours, as well as its fiduciary responsibility to its shareholders. Also related is the approach to corporate governance; corporate social entrepreneurship; political contributions; and various other legal issues across the company.

The social, ethics and transformation committee of the board carries the mandate of the board to assume responsibility for the governance of ethics by setting the direction for how ethics are approached and addressed by the group. The committee has approved a codes of conduct and ethics policy that articulate and give effect to group ethics in PPC. Important developments during the year have been the roll-out of ethic call lines in the rest of Africa subsidiaries, as well as the implementation of practical guidelines for employees who may encounter fraud and corruption. Ongoing training on matters of ethics will remain a key focus in the next financial year.

Key board membership changes

Peter Nelson was appointed interim chairman of the board on 29 March 2016 when Bheki Sibiya retired. Having successfully led the board during the capital raise period, and given his contribution as interim chairman, Peter was appointed permanent chairman from 24 October 2016.

Peter is assisted by Tim Ross, lead independent director and a capable team of directors. At 31 March 2017, 12 directors served on the group board. The majority were non-executive directors, with an independent majority when classified against the JSE Listings Requirements.

More information on board composition and activities follows in this report. Most notably, Nonkululeko Gobodo was appointed as a non-executive director by the board from 8 February 2017. Her appointment will be tabled at the upcoming AGM for confirmation by shareholders.

Bridgette Modise, who was required to retire by rotation at the shareholders' meeting on 31 October 2016, decided not to stand for re-election. She was appointed to the board in 2010 and her contribution often extended beyond the ordinary course of business. The board wishes her well in her future endeavours and thanks her for her valuable contribution.

In addition to changes to the board, there have also been changes in the membership of board committees. Nicky Goldin joined the audit committee, serving with Todd Moyo and Tim Ross, and Nonkululeko Gobodo joined this committee on 8 February 2017.

Timothy Leaf-Wright was appointed chairman of the risk and compliance committee on 31 October 2016.

Membership of the board

As at 31 March, the members of the board were:

Non-executive directors	Status
Dakile-Hlongwane	Non-executive
Gobodo	Independent
Goldin	Independent
Leaf-Wright	Independent
Mboweni	Independent
Mhlarhi	Non-executive
Moyo	Independent
Naude	Independent
Nelson	Independent
Ross	Independent
Executive directors	
Castle	Executive
Ramano	Executive

Directors are appointed through a formal process and the nominations committee assists in identifying suitable candidates to be proposed to shareholders. This process is detailed in PPC's selection and appointment policy. The primary objective of this policy is to provide a transparent framework and set standards for the selection and appointment of high-calibre executive and non-executive directors with the capacity and ability to lead the company in sustainable value creation and long-term growth. The nominations committee oversees this policy.

A formal induction programme is in place for new directors, and directors with less experience are developed through training programmes. For continuing development, PPC encourages directors to attend the professional development programmes of the Institute of Directors in Southern Africa (IoDSA).

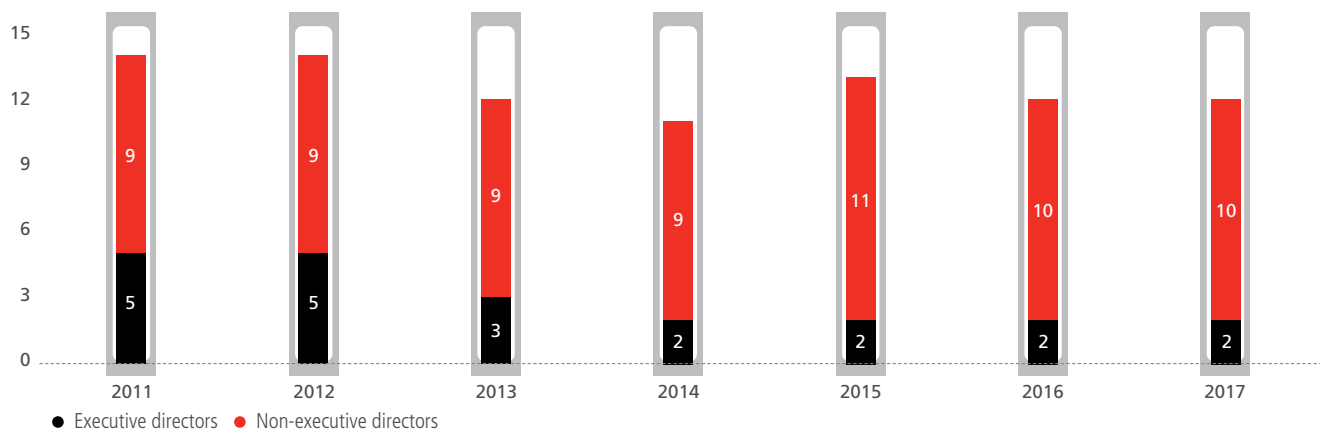
While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors can have, approval must be obtained from the chairman prior to accepting commitments that may affect the time directors can devote to PPC.

Board composition

The nominations committee annually evaluates whether the board's size, diversity and demographics make it effective. A number of studies have shown that the composition of the board can have a significant impact on company performance. Early studies on board composition focused on factors such as directors' independence, with the impact of cognitive diversity in decision-making only gaining recognition more recently. The latest studies have focused on diversity.

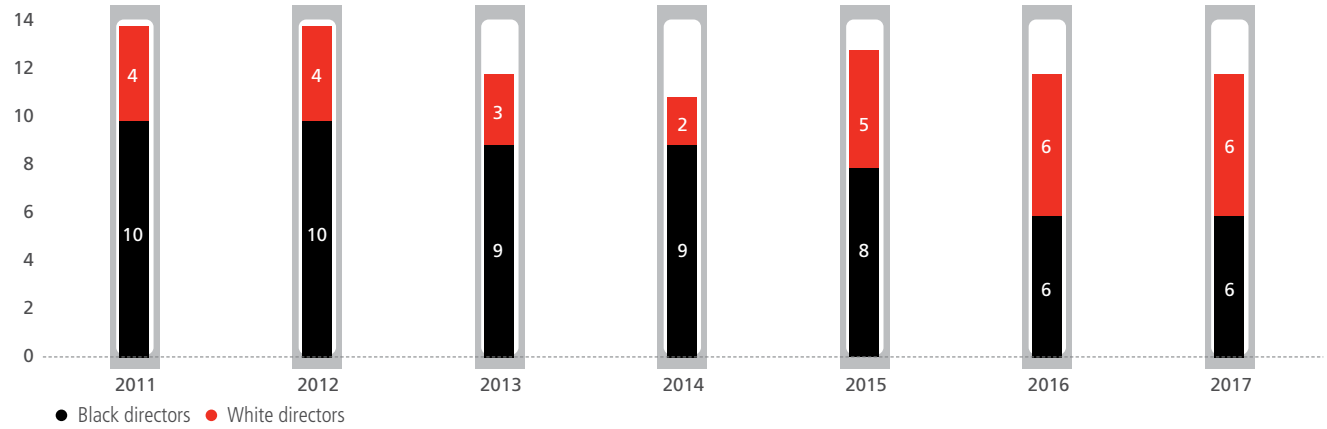
The board has made notable progress on transformation and compliance with the King III code as shown below.

BALANCE BETWEEN EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

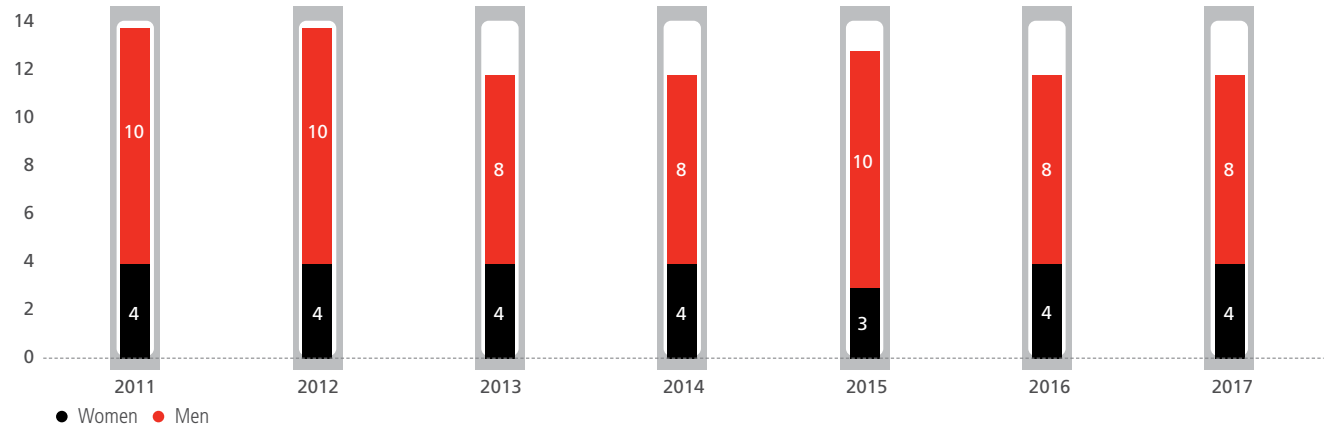


CORPORATE GOVERNANCE REVIEW continued

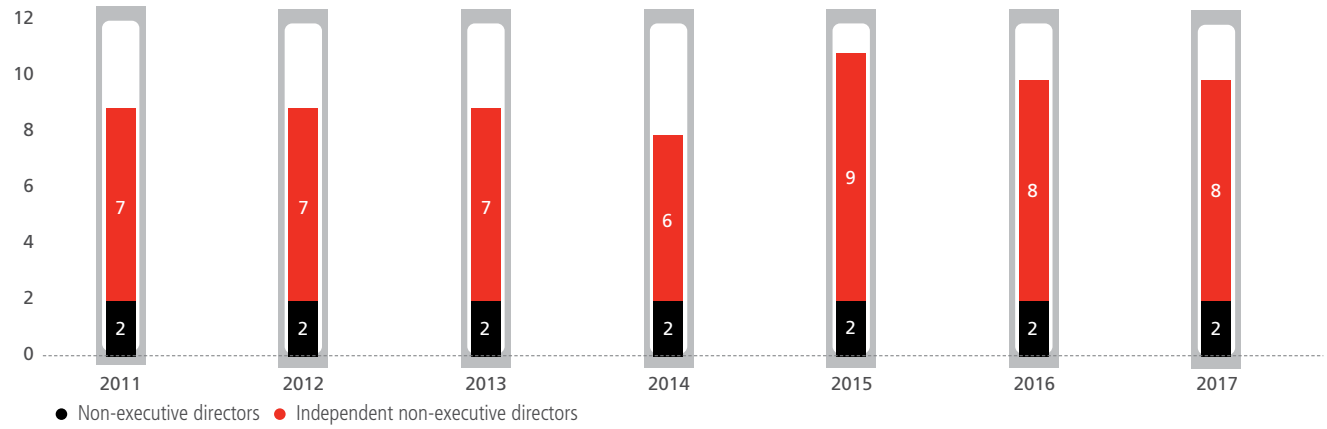
RACIAL BALANCE



GENDER BALANCE



NON-EXECUTIVE AND INDEPENDENT NON-EXECUTIVE DIRECTORS



In support of gender diversity, the board has adopted the following policy statement:

> "The PPC board recognises the benefits of having a gender-diverse board and sees increasing diversity at board level as a competitive advantage. Gender diversity will be considered in determining the optimum composition of the board and, when possible, should be balanced appropriately. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge the board requires to be effective."

The nominations committee discusses and agrees annual objectives for achieving gender diversity on the board and recommends these to the board for adoption. At the date of adopting this policy statement, the board aimed to ensure that at least 30% of the board comprised women and for that percentage to exceed 35% by the end of 2018.

Key roles in the board

Key roles in the corporate governance of PPC lie mainly in the responsibilities of three functionaries:

- **The chairman: Peter Nelson**

The role of the chairman is set out in the board charter:

- Lead the board, not the company
- Safeguard the integrity of corporate governance processes and actions as determined collectively by the board
- Be the link between the board and management, particularly the CEO
- Be the main link between the board and shareholders, and the public at large

- **The CEO: Darryll Castle**

The role of the CEO is determined by the board, formalised in the board charter and managed through his annual scorecard:

- The CEO leads the company and management team. He is responsible for the day-to-day operations of PPC and is its principal spokesperson, while the chairman is the leader of the board

- **The company secretary: Jaco Snyman**

The role of the company secretary is largely determined in section 88 the Companies Act 2008 (the Act):

- Guiding PPC's directors collectively and individually on their duties, responsibilities and powers
- Making directors aware of any law relevant to or affecting the company
- Reporting to the board any failure by the company or a director to comply with the memorandum of incorporation, rules of the company or the Act
- Ensuring minutes of all shareholders' meetings, board meetings and the meetings of any committees of the directors, or of the company's audit committee, are properly recorded
- Certifying in the annual financial statements whether PPC has filed required returns and notices in terms of the Act, and that these appear to be true, correct and up to date
- Ensuring a copy of PPC's annual financial statements is sent to every person entitled to it

The group company secretary provides directors with guidance on discharging their responsibilities. He is a central source of information and advice to the board and in the company, on ethics and good governance. He also ensures the proceedings and affairs of the board, its committees, the company and, where appropriate, owners of securities in the company are properly administered under pertinent laws. Details of his qualifications and experience are on page 27.

The group company secretary is responsible for compliance with the rules and Listings Requirements of the JSE and the Zimbabwe Stock Exchange on which PPC's securities are listed and administers the statutory requirements of the company and its subsidiaries in South Africa.

The company secretary is satisfied that he is able to effectively perform the role as gatekeeper of good governance in PPC and fulfil his responsibilities as company secretary.

The board evaluated the company secretary's performance as part of its annual evaluation and the outcome was very positive.

Key responsibilities of the board

Strategic planning

As a key performance area of the board, group strategy is mapped by the board in consultation with PPC's executive committee (exco). The board appreciates the fact that strategy, risk, performance and sustainability are inseparable and annually reviews the strategy. The group strategy is detailed on page 6.

Internal control

Reporting in PPC is structured so that key issues are escalated through the management team and ultimately to the board, if appropriate.

The board has delegated to the audit committee responsibility for thoroughly reviewing the effectiveness of PPC's system of governance, risk management and internal controls. After completing these reviews, the committee reports on its findings so that the board can take a view on this matter. The risk management process has been regularly reviewed in recent years, resulting in several refinements. The report on risk and controls appears on page 84.

Delegation

The board delegates certain functions to committees and management, without abdicating its own responsibilities. Delegation is formal and involves:

- Approved and documented terms of reference for each committee of the board
- Terms of reference are reviewed once a year
- The committees are appropriately constituted with due regard to the skills required
- The board has a framework for delegating authority to management

CORPORATE GOVERNANCE REVIEW continued

Board performance

The code requires annual board performance evaluations by the chairman or an independent service provider, with results used to identify training needs for directors. This year, the nominations committee appointed the IoDSA to conduct the annual evaluation: an independently facilitated self-appraisal process evaluated the views of individual directors on the performance of the board as a whole (as contained in this report), respective board committees and the chairman. The key issues raised are receiving attention.

It should be noted that 88% of the areas tested were rated from satisfactory to meeting best practice, while only 12% were deemed as needing some improvement. The board is taking the necessary steps to address these issues.

The following table summarises the attendance at scheduled meetings by board members over the period 1 April 2016 to 6 June 2017 (when the board approved the annual financial statements).

Board members	Board	AGM	Audit	Investment	Nomco	Remco	Risk and compliance	SET	Attendance
Castle	6/6	1/1					3/3		10/10
Dakile-Hlongwane	6/6	1/1						2/2	9/9
Gobodo**	1/1	–	1/1						2/2
Goldin	6/6	1/1	2/2	4/4		2/2			15/15
Leaf-Wright	6/6	1/1		4/4			3/3	2/2	16/16
Mboweni	5/6	0/1			2/2			2/2	9/11
Mhlarhi	5/6	1/1		3/4		2/2			11/13
Modise*	3/4	1/1	1/1				1/1		6/7
Moyo	6/6	1/1	5/5		2/2	2/2			16/16
Naude	6/6	1/1		4/4		2/2	3/3		16/16
Nelson	6/6	1/1		4/4	2/2	2/2			15/15
Ramano***	6/6	1/1							7/7
Ross	6/6	1/1	5/5	4/4			3/3		19/19

* Ms Modise retired by rotation on 31 October 2016.
** Ms Gobodo joined the board from 8 February 2017 and appointed to risk and compliance committee on 6 June 2017.
*** Ms Ramano joined the SET committee from 6 June 2017.

Board committees

The board has six standing committees through which it operates. Committees play an important role in enhancing good corporate governance, improving internal controls and thus the sustainable performance of the company.

Directors	Audit	Investment	Nomco	Remco	Risk and compliance	SET	Participation
Dakile-Hlongwane						X	1
Gobodo	X						1
Goldin	X	X		X			3
Leaf-Wright		X			XX	X	3
Mboweni			X			XX	2
Mhlarhi		X		X			2
Moyo	X		X	XX			3
Naude		XX		X	X		3
Nelson* (chair)		X	XX	X			3
Ross (lead independent)	XX	X			X		3
Castle (CEO)					X		1
Average participation	4	6	3	5	4	3	2,4

XX – chair.
X – member.

In the interests of free information flow and good oversight, full or summary minutes of all committee meetings are included in packs for board meetings. In addition, each chairperson is required to present an annual report on the activities of that committee at the board's meeting in June 2017.

Based on these reports and the minutes of committees, their performance and conformance to their terms of reference are annually evaluated by the board.

At its meeting on 6 June 2017, the board concluded that all committees had executed their responsibilities within the scope of their respective terms of reference in the review period.

About the audit committee

Membership	Status	Qualifications
Gobodo	Independent	CA(SA)
Goldin	Independent	BCom (Hons), MBA
Moyo	Independent	CA(SA), CA(Z), RPA(Z), MCSZ
Ross (chair)	Independent	CA(SA)

Meeting date	Attendance	Focus of the meeting
3 June 2016	All present	Internal audit plan for 2017 and final results for 2016
7 November 2016	All present	External audit plan and interim results
7 March 2017	All present	Internal audit plan 2018 and review of year-end issues for 2017
29 May 2017	All present	Review of the financial results 2017
6 June 2017	All present	Approval of the financials for 2017

All members are independent, as required by the code and the Act. The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference.

Tim Ross has been elected to chair the committee since 2009. He is a member of the South African Institute of Chartered Accountants.

Members of the executive team, including the CFO, attend committee meetings by invitation. Similarly, external and internal auditors attend meetings by invitation and have no voting rights. The chairperson reports to the board on the committee's activities and recommendations. The chief audit executive reports functionally to the chairperson of the committee and administratively to the CEO. The latest minutes of committee meetings are included in board packs.

The audit committee has formal terms of reference approved by the board, and has executed its duties in the past financial year in line with these terms of reference. Its terms of reference include the following responsibilities:

Financial information

The committee reviews the annual financial statements, interim and preliminary announcements, accompanying reports to shareholders and any other announcements on PPC's results or other financial information to be made public, prior to submission and approval by the board.

Integrated reporting

The committee oversees integrated reporting, particularly:

- All factors and risks that may affect the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions, monitoring or enforcement actions by a regulatory body, any evidence that brings into question prior published information, forward-looking statements or information

CORPORATE GOVERNANCE REVIEW continued

- Reviews the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents
- Comments in the annual financial statements on those statements, accounting practices and effectiveness of internal financial controls
- Reviews disclosure of sustainability issues in the integrated report to ensure this is reliable and does not conflict with financial information
- Recommends to the board whether or not to engage an external assurance provider on material sustainability issues
- Reviews the content of summarised information for providing a balanced view
- Engages the external auditors to provide assurance on summarised financial information
- Prepares a report for inclusion in the integrated report and annual financial statements for the financial year (page 82):
  - Describing how it carried out its functions
  - Stating whether it is satisfied that the auditor was independent of the company
  - Commenting in any way it considers appropriate on the financial statements, accounting practices and internal financial control of PPC
- Recommends the integrated report for approval by the board

Internal audit

The committee is responsible for overseeing the internal audit function, in particular:

- The appointment, performance assessment and/or dismissal of the chief audit executive
- Reviewing the internal audit charter
- The appointment, performance assessment and/or dismissal of any outsourced/company's internal audit service provider
- Approving the internal audit plan and any significant changes, and satisfying itself that this plan will effectively address critical risk areas of the business
- Ensuring the internal audit function is subject to an independent quality review, as it deems appropriate
- Reviewing internal audit's compliance with its charter as approved by the committee and considering whether the internal audit function has the necessary resources, budget and standing in PPC to discharge its functions

Risk management

The committee is an integral component of the risk management process. Specifically, its mandate includes risk oversight responsibilities for:

- Financial risk
- Financial reporting risks
- Internal financial controls
- Fraud risks, as these relate to financial reporting
- IT governance and risks, as these relate to financial reporting

External audit

The committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process. In this regard, it must:

- Nominate an independent external auditor for appointment by shareholders
- Determine the fees to be paid and terms of engagement of the auditor
- Ensure the appointment of the auditor complies with the Act and other relevant legislation
- Monitor and report on the independence of the external auditor in the annual financial statements
- Approve a policy for non-audit services provided by the external auditor
- Pre-approve contracts for non-audit services to be rendered by the external auditor
- Ensure there is a process for the committee to be informed of any reportable irregularities (as noted in the Auditing Profession Act 2005) identified and reported by the external auditor
- Review the quality and effectiveness of the external audit process

Chief financial officer (CFO)

The committee must annually consider and satisfy itself of the appropriateness of the expertise and experience of the CFO, and confirm this to shareholders in its annual report.

Financial function

The committee reviews the expertise, resources and experience of PPC's finance function, and discloses results in the integrated report and to shareholders.

Internal controls

The chief audit executive has completed a report to the board on the effectiveness of controls and risk management, which was tabled at the board meeting on 6 June 2017. In this report, he concluded that, based on the processes and assurance obtained, internal audit was of the view that material internal financial controls were effective.

IT governance

In recent years, PPC has made appropriate investments to ensure its information technology (IT) systems and governance processes comply with the recommendations of King III.

The committee reported on its activities for the review period at the board meeting on 6 June 2017.

About the investment committee

Membership	Status
Goldin	Independent
Leaf-Wright	Independent
Mhlarhi	Non-executive
Naude (chair)	Independent
Nelson	Independent
Ross	Independent

Meeting date	Attendance	Focus
26 August 2016	All present	Investment reviews and annual work plan
3 November 2016	All present	Investment reviews
20 February 2017	Mhlarhi apology	Investment reviews
22 May 2017	All present	Investment reviews

The committee performs all functions necessary to fulfil the role stated in its terms of reference, including:

Strategic investments (to enhance long-term sustainable income)
- Consider prospective acquisitions for their ability to enhance long-term sustainable income of the group
- Evaluate the merits of investment proposals within strategic guidelines, potential financial returns and risk
- Monitor the performance of assets in the strategic investment portfolio, relative to original business plan
- Consider proposed divestments from identified investments and terms of divestment transactions

Strategic alliances (to position PPC strategically for future markets/benefits)
- Consider prospective strategic alliances
- Evaluate the merits of alliance proposals to consider potential benefits from the proposed positioning relative to imposed risks (especially reputation risk)
- Monitor the performance of strategic alliances relative to original objectives
- Consider exiting strategic alliances and associated conditions for divestment

Operational investments (business unit growth objectives)
- Consider investment decisions "above threshold" levels
- Consider and evaluate the merits of investment proposals, their impact on operational strategy and the likelihood of achieving the targeted return from that investment
- Monitor the performance of the group relative to the investment objectives of management
- Consider proposed divestments of assets in the operational portfolio, terms of divestment transactions and exit strategies

Other initiatives (improve efficiencies in a cost-effective way)
- Consider initiatives with a total cost "above threshold". Total cost includes all cost elements and is calculated over the project lifespan
- Consider the strategic impact of proposed initiatives
- Evaluate the financial merits of each initiative's business case

The committee reported on its activities for the review period at the board meeting on 6 June 2017. At this meeting, the board confirmed that the committee had complied with its terms of reference.

About the nominations committee

Membership	Status
Mboweni	Independent
Moyo	Independent
Nelson (chair)	Independent

Meeting date	Attendance	Focus
14 October 2016	All present	Board and committee composition and succession
22 May 2017	All present	Board and committee composition and succession

Mr Nelson was appointed chairman of the committee after his appointment as interim chairman.

The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference.

The committee normally asks the CEO to attend its meetings, but he has no voting rights.

The committee has its own terms of reference, approved by the board, which are reviewed annually. The chairperson reports to the board on activities and recommendations made by the committee and the latest minutes of meetings are included in board packs.

The committee performs all the functions necessary to fulfil its role as stated in its terms of reference, including:
- Ensuring the establishment of a formal process for appointing directors, including:
  - Identifying suitable members for the board
  - Performing reference and background checks of candidates prior to nomination
  - Formalising the appointment of directors through an agreement between the company and the director
- Overseeing the development of a formal induction programme for new directors
- Ensuring inexperienced directors are developed through a mentorship programme
- Overseeing the development and implementation of continuing professional development programmes for directors
- Ensuring directors receive regular briefings on changes in risks, laws and the environment in which PPC operates
- Considering the performance of directors and taking steps to remove directors who do not make an appropriate contribution
- Finding and recommending to the board a replacement for the CEO when necessary
- Ensuring formal succession plans for the board, CEO and senior management appointments are developed and implemented
- Providing input on senior management appointments as proposed by the CEO

CORPORATE GOVERNANCE REVIEW continued

The committee reported on its activities for the review period at the board meeting on 6 June 2017. At this meeting, the board confirmed that the committee had complied with its terms of reference.

About the remuneration committee

Membership	Status
Goldin	Independent
Mhlarhi	Non-executive
Moyo (chair)	Independent
Naude	Independent
Nelson	Independent

Meeting date	Attendance	Focus
5 December 2016	All present	Incentive schemes and annual increases
15 May 2017	All present	Salary and fee benchmarking and incentives reviews

All members are non-executive directors. PwC, appointed by the committee, acted as independent remuneration adviser and provided detailed information on market trends and competitively positioning remuneration.

The committee normally asks the CEO to attend its meetings, but he has no voting rights. He does not participate in discussions on his own remuneration, which is set by the committee.

The committee performs all functions necessary to fulfil the role stated in its terms of reference, including:

- Overseeing the development of a remuneration policy that will promote achieving strategic objectives and encourage individual performance
- Ensuring this policy is put to a non-binding advisory vote at the annual general meeting of shareholders every year
- Reviewing the outcomes of implementing the policy against set objectives
- Ensuring the mix of fixed and variable pay, in cash, shares and other elements, meets PPC's needs and strategic objectives
- Satisfying itself on the accuracy of recorded performance measures that govern vesting of incentives
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Considering the results of the performance evaluation of the CEO and other executive directors, both as directors and as executives, in determining remuneration
- Selecting an appropriate comparative group when comparing remuneration levels
- Regularly reviewing incentive and retention schemes to ensure an ongoing contribution to shareholder value and that these are administered in terms of the rules
- Considering the appropriateness of early vesting of share-based schemes at the end of employment
- Advising on the remuneration of non-executive directors
- Overseeing preparation of the remuneration report and recommending to the board this be included in the integrated report

PPC's remuneration policy is annually presented to shareholders to pass a non-binding advisory vote to indicate support. This policy is on page 88 and shareholders will again be requested to pass a non-binding advisory vote at the annual general meeting.

The committee has reviewed group remuneration policies to ensure these are aligned with PPC's strategy and linked to individual performance.

The committee reported on its activities for the review period at the board meeting on 6 June 2017. At this meeting, the board confirmed that the committee had complied with its terms of reference.

About the risk and compliance committee

Membership	Status
Leaf-Wright (chair)	Independent
Naude	Independent
Ross	Independent
Castle	Executive

Meeting date	Attendance	Focus
3 October 2016	All present	First review of risk registers and risk appetite matrix
20 February 2017	All present	Second review of risk registers and key risk projects
29 May 2017	All present	Risk register review, combined assurance, risk appetite matrix and insurance programme

Mr Castle, although an executive director, serves on the committee in line with best-practice recommendations of the code. All other members are non-executive directors.

The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference.

Members of the executive team responsible for risk and compliance management attend meetings by invitation. Similarly, external and internal auditors attend by invitation but have no voting rights. The latest minutes of meetings are included in board packs.

The committee has its own terms of reference, approved by the board and reviewed annually, to assist members to understand their roles and enable them to add value in discharging their duties. Its terms of reference include the responsibility to:

- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the board
- Monitor implementation of this policy and plan via risk management systems and processes

- Make recommendations to the board on the levels of risk tolerance and appetite, and monitor that risks are managed within these levels as approved by the board
- Approve PPC's compliance policy and oversee that this is disseminated through the company
- Oversee that the risk management plan is disseminated across PPC and integrated in its daily activities
- Ensure risk assessments are performed continuously
- Ensure compliance management assessments are regularly performed
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensure management considers and implements appropriate risk responses
- Ensure continuous risk monitoring by management
- Liaise closely with the audit committee and other board committees to exchange information relevant to risk
- Express a formal opinion to the board on the effectiveness of the system and process of risk management
- Review reporting on risk management and compliance in the integrated report for being timely, comprehensive and relevant

For a more detailed review on risk and compliance, refer to page 84.

The committee reported on its activities for the review period at the board meeting on 6 June 2017. At this meeting, the board confirmed that the committee had complied with its terms of reference.

About the social, ethics and transformation committee

Membership	Status
Dakile-Hlongwane	Non-executive
Leaf-Wright	Independent
Mboweni (chair)	Independent

Meeting date	Attendance	Focus
20 October 2016	All present	Review of sustainability and transformation
24 April 2017	All present	Review of sustainability and transformation

All members of the committee are non-executive directors.

The committee has its own terms of reference, approved by the board and reviewed annually. The chairperson reports to the board on activities and recommendations made by the committee and the latest minutes of meetings are included in board packs.

In line with its terms of reference, the committee's objectives are to assist the board in monitoring PPC's activities – against relevant legislation, other legal requirements or prevailing codes of best practice – on:

- Social and economic development
- Corporate citizenship
- Transformation
- The environment
- Health and public safety
- Stakeholder relationships
- Labour and employment

The committee reported on its activities for the review period at the board meeting on 6 June 2017. At this meeting, the board confirmed that the committee had complied with its terms of reference.

Part 2

Corporate governance compliance

This section discloses compliance with relevant and prescribed corporate governance principles.

Latest developments

As noted on page 70, King IV was officially launched on 1 November 2016. PPC is developing its corporate governance practices to align with best-practice proposals in King IV.

King IV is closely connected to three paradigm shifts in the corporate world:

- There is now general acceptance that the employment, transformation and provision of financial capital represent only a fraction of an organisation's activities. Instead, inclusive capitalism considers the employment, transformation and provision of all sources of capital. This new way of thinking, known as inclusive capitalism, has the potential to trigger profound change. As one example, instead of simply providing aid to developing countries, developed-country companies operating in more developing countries should focus on adopting the model of inclusive capitalism in the developing country to create sustainable value
- The second shift is towards sustainable capitalism. The shift from short-term to long-term thinking reflects the need to create sustainable value. In short, performance in terms of all-inclusive value should be assessed over the longer term. The capital market system must reward long-term decision-making
- Finally, there has been a further move from siloed reporting to integrated reporting, consistent with the concept of an inclusive, sustainable capital market system. The traditional financial reporting system was a revolutionary development when it was instituted. It has since had to respond to market regulators, standards boards, ever

CORPORATE GOVERNANCE REVIEW continued

more complex legislation and the regulation of accounting and corporate reporting. It is accepted that, while fully compliant and duly audited financial statements are critical, they are insufficient to discharge the duty of accountability. Similarly, a sustainability report is critical, but insufficient. The reality is that the resources or capitals used by organisations constantly interconnect and interrelate. The organisation's reporting should reflect this interconnectedness, and indicate how its activities affect, and are affected by, the six capitals it uses and the triple context in which it operates

The board is well aware of these developments and is reviewing its practices to align with them.

Compliance with King III

For the review period, PPC has complied with King III unless indicated otherwise. A complete King III application register is available on www.ppc.co.za/investors/governance/.

We describe how we have applied those principles in this report, notably in the following section, as well as the sections on risk management, IT governance and directors' remuneration.

Compliance with the governance principles

Paragraph 3.84 of the JSE Listings Requirements stipulates that issuers must comply with specific requirements on corporate governance, without the option of explaining non-compliance. PPC has complied with all mandatory principles to the extent indicated below.

Paragraph	Required practice	Compliance
3.84(a)	There must be a policy detailing procedures for appointment to the board of directors. Such appointments must be formal and transparent and a matter for the board of directors as a whole, assisted where appropriate by a nominations committee. The nominations committee must constitute only non-executive directors, of whom the majority must be independent (as defined in paragraph 3.84(f)(iii)), and should be chaired by the chairman of the board of directors.	The PPC board has appointed a nominations committee duly constituted with a formal mandate that includes the obligation to ensure that "directors are appointed through a formal process". The committee has a formal policy in place as required.
3.84(b)	There must be a policy evidencing a clear balance of power and authority at board of directors' level, to ensure that no one director has unfettered powers of decision-making.	The board charter specifies the different roles of members to maintain a balance of power. The roles of the chairman and CEO are clearly defined to avoid role confusion. In addition, a guideline is in place that specifies the role of the chairman.
3.84(c)	The issuer must have an appointed CEO and a chairman and these positions must not be held by the same person. The chairman must either be an independent director, or the issuer must appoint a lead independent director, in accordance with King.	Currently Mr Castle is the CEO and Mr Nelson the chairman of the board. Mr Ross remains the lead independent director.
3.84(d)	All issuers must, in compliance with King, appoint an audit committee and a remuneration committee and, if required, given the nature of the business and composition of the board of directors, a risk and nominations committee. The composition of such committees, a brief description of their mandates, number of meetings and other relevant information must be disclosed in the integrated report.	The board has appointed an audit committee, remuneration committee, nominations committee, investment committee, risk and compliance committee, and social, ethics and transformation committee. Details are disclosed in the corporate governance review.
3.84(e)	A brief CV of each director standing for election or re-election at a general meeting or the annual general meeting (which election or re-election may not take place at a meeting contemplated in section 60 of the Act) should accompany the notice of general meeting or annual general meeting.	A brief CV of each director standing for election or re-election appears in the notice of AGM. Please refer to page 55.

Paragraph	Required practice	Compliance
3.84(f)	The capacity of each director must be categorised as executive, non-executive or independent, using the prescribed guidelines.	The nominations committee annually evaluates the independence of all directors using the prescribed guidelines.
3.84(g)	All issuers must have an executive financial director. The JSE may, at its discretion, when requested to do so by the issuer and due to special circumstances, allow the financial director to be employed on a part-time basis only. This request must be accompanied by a detailed motivation by the issuer and the audit committee.	Ms Ramano is the current CFO of PPC and is employed full time.
3.84(h)	The audit committee must annually consider and satisfy itself of the appropriateness of the expertise and experience of the financial director. The issuer must confirm this by reporting to shareholders in its integrated report that the audit committee has executed this responsibility.	The audit committee assesses the appropriateness of the expertise and experience of the CFO. Please refer to its report on page 82.
3.84(i)	The board of directors must annually consider and satisfy itself on the competence, qualifications and experience of the company secretary. The issuer must confirm this by reporting to shareholders in its integrated report that the board of directors has executed this responsibility. This communication must specifically include details of the steps which the board of directors took to make this annual assessment and provide information that demonstrates the actual competence, qualifications and experience of the company secretary.	The board annually assesses the competence, qualifications and experience of the company secretary. Please refer to the corporate governance report on page 70.
3.84(j)	The recommended practice of the King Report on Governance for South Africa highlights, inter alia, that the company secretary should maintain an arm's length relationship with the board of directors and should ideally not be a director.	The company secretary is not a director of PPC and the board has confirmed that he has maintained an arm's length relationship with the board. Please refer to the corporate governance report on page 70.
3.84(k)	The board of directors or the nominations committee, as the case may be, must have a policy on the promotion of gender diversity at board level. The issuer must confirm this by reporting to shareholders in its annual report on how the board of directors or the nominations committee, as the case may be, have considered and applied the policy of gender diversity in the nomination and appointment of directors. If applicable, the board of directors or the nominations committee must further report progress in respect thereof on agreed voluntary targets.	The board has adopted a policy on promoting gender diversity. Refer to page 71.

The King committee recommends that this assessment be documented and reported as a register, covering all 75 King III principles with detail on how each principle is applied. This register should be a living document and continually updated.

AUDIT COMMITTEE REPORT

Report to shareholders on the activities of the audit committee for the year ended 31 March 2017

The audit committee is a committee of the board of directors and in addition to having specific statutory responsibilities to shareholders in terms of the Companies Act, it assists the board by advising and making submissions on financial reporting, oversight of the governance, risk management process and internal financial and non-financial controls, external and internal audit functions and statutory and regulatory compliance of the company.

Terms of reference

The audit committee has adopted formal terms of reference that were reviewed during the year and approved by the board of directors, and has executed its duties in the past financial year in line with these terms of reference.

Composition

The committee consists of four independent non-executive directors:

Membership	Tenure (years)
Gobodo	<1
Goldin	1
Moyo	2
Ross (chair)	8

Ms Goldin and Ms Gobodo joined the audit committee respectively on 31 October 2016 and 8 February 2017 to serve with Mr Moyo and Mr Ross.

The CEO, CFO, chief audit executive, senior financial executives of the group and representatives from the external and internal auditors attend committee meetings. The internal and external auditors have unrestricted access to the audit committee.

Meetings*

The audit committee held five scheduled meetings during the year, with attendance shown below:

Meeting date	Attendance
3 June 2016	All present
7 November 2016	All present
7 March 2017	All present
29 May 2017	All present
6 June 2017	All present

* A meeting was held on 12 July 2017 to approve the integrated report.

Statutory duties

In executing its statutory duties in the 2017 financial year, the audit committee:

- Nominated Ms Radebe, from the audit firm Deloitte & Touche (Deloitte), for appointment. In the opinion of the committee, Ms Radebe was independent of the company
- Determined Deloitte's terms of engagement
- Believes that the appointment of Deloitte complies with the relevant provisions of the Companies Act, JSE Listings Requirements and King III
- Developed and implemented a policy setting out the extent of any non-audit services the external auditors may provide to the company
- Approved non-audit service contracts with Deloitte in accordance with its policy
- Received no complaints on the accounting practices and internal audit of the company, the content or auditing of its financial statements, internal financial controls, or other related matters

Delegated duties

In executing its delegated duties and making its assessments (as reflected in its terms of reference), the audit committee obtained feedback from external and internal audit, and based on the processes and assurances obtained, believes the accounting practices are effective. Accordingly, the committee fulfilled all its obligations including:

Financial statements

The committee reviewed the consolidated and separate annual financial statements, summarised annual financial statements, preliminary announcements, and short-form announcements and accompanying reports to shareholders and other announcements on the company's 2017 results to the public.

Integrated reporting

- Recommended to the board to engage an external assurance provider on material sustainability issues
- Reviewed the disclosure of sustainability issues in the integrated report to ensure it is reliable and does not conflict with the financial information
- Recommended the integrated report for approval by the board.

Internal audit

- Took responsibility for the performance assessment of Mr Semenya, chief audit executive (CAE). A formal performance assessment had been performed at the end of the financial year and nothing has come to the attention of the committee indicating that performance has declined
- Approved the internal audit plan and changes to the plan and satisfied itself that the audit plan makes provision for effectively addressing the critical risk areas of the business
- Reviewed internal audit's compliance with its charter and considered whether the internal audit function has the necessary resources, budget and standing within PPC to enable it to discharge its functions
- Appointed Ms Putzier as the new CAE of the PPC group, at the 29 May 2017 meeting, following the decision by Mr Semenya to pursue another opportunity within the PPC group

Risk management

The committee is an integral component of the risk management process and specifically reviewed:

- Financial risks
- Financial reporting risks
- Internal financial controls
- Fraud risks as they relate to financial reporting
- IT governance

External audit

- Evaluated and reported on the independence of the external auditor
- Reviewed the quality and effectiveness of the external audit process
- Based on our satisfaction with the results of activities outlined above, recommended to the board that Deloitte should be reappointed for 2018, with Mr Mashifane nominated as the registered auditor
- Determined the fees to be paid and the terms of engagement of the auditor
- Ensured the appointment of the auditor complies with the Companies Act and other relevant legislation

Financial director
The committee has satisfied itself of the appropriateness of the expertise and experience of Ms Ramano, the financial director, and confirms this to shareholders.

Financial function
- The committee has reviewed the expertise, resources and experience of the company's finance function. It was noted that management was taking steps to alleviate the additional workload as a result of a number of projects and increased complexities
- In making these assessments, we have obtained feedback from both external and internal audit
- Based on the processes and assurances obtained, we believe the accounting practices are effective

Oversight of risk management
The committee engages with the risk and compliance committee to ensure adequate understanding of risk management processes.

Internal financial controls
- Reviewed the effectiveness of the company's system of internal financial controls, including receiving assurance from management and internal audit
- Reviewed material issues raised by the internal and external audit process
- Based on the processes and assurances obtained, we believe material internal financial controls are effective

Key areas from the year-end audit report
The consolidated annual financial statements include balances, transactions and other items where the application of judgement is necessary. To the extent that significant judgement was applied, the areas of judgement are noted or the appropriate disclosure is reflected in the respective notes to the consolidated annual financial statements. Reference is also made to the external auditors' report on page 142 of these consolidated annual financial statements.

In finalising the consolidated annual financial statements for the year ended March 2017, the audit committee considered the following balances to have been prepared with a significant amount of judgement:

Impairment assessment of the rest of Africa cement non-financial assets
The group has recently expanded into the DRC and Rwanda and has been operating in Zimbabwe since the acquisition of the business in 2001, with a further investment made in a cement mill in Harare which was commissioned during this financial year. Due to the current economic and political environments and trading performances, impairment assessments were undertaken by management on all three key rest of Africa cement businesses.

The audit committee debated management's assumptions in concluding that no impairment is required for investments into the DRC, Rwanda and Zimbabwe. It was also emphasised that, should the new or additional impairment indicators be noted at the group's next reporting date of September 2017, that a further impairment assessment of the plants will be conducted once the plants have been in operation for a reasonable period of time.

Attention was also drawn to the constraints of remitting funds from Zimbabwe and that the full cash and cash equivalents in Zimbabwe have been disclosed as restricted.

Refer to note 4 on page 152.

VAT receivable incurred during construction of the DRC plant
VAT was incurred during the construction of the plant in the DRC and at the end of March 2017, the amount receivable amounted R210 million (March 2016: R319 million) and has been reflected as a non-current receivable in the consolidated financial statements.

The audit committee reviewed management's assessment to ensure that the VAT receivable is accurate and indeed recoverable. The committee noted management's use of an external expert to confirm the validity of the amounts deemed to be receivable and the letter received from the DRC finance ministry indicating that the VAT needs to be paid to PPC Barnet DRC on condition that the money is utilised for local suppliers and local salaries.

The committee also confirmed the recognition of the VAT as non-current due to the uncertainty of timing of when the payment would be received.

Refer to note 10 on page 158.

Deferred taxation assets
The group had deferred taxation assets of R142 million (March 2016: R52 million), relating mainly to assessable taxation losses stemming from PPC Barnet DRC, PPC Ltd and CIMERWA.

The audit committee noted the papers presented by management supporting the future recoverability of the assessable taxation losses. The assumptions and forecasts used in preparing motivations of the validity of the deferred taxation assets were debated by the committee and concluded that management's assumptions were appropriate. Sensitivities and potential risk were also interrogated, noting the limited headroom on the deferred taxation in Rwanda and the position that management will continue to assess the position on an ongoing basis.

Refer to note 16 on page 162.

Combined assurance
During the year, management has developed and implemented the combined assurance model with the enhanced risk framework of the group. This model will be further developed for the group in the 2018 financial year.

Regulatory compliance
The audit committee has complied with all applicable legal and regulatory responsibilities.

On behalf of the audit committee

Tim Ross (chairman)
12 July 2017

RISK AND COMPLIANCE COMMITTEE REPORT

Report to shareholders on the activities of the risk and compliance committee for the 12 months ended 31 March 2017

Introduction

The committee is a committee of the board and its main objective is to ensure sustainable growth in all our businesses and to promote a proactive approach in evaluating, monitoring, resolving and reporting risks associated with our businesses.

This objective is supported by the following underlying policy statement:

"To ensure protection of shareholder value through the establishment of an integrated risk management framework/system for identifying, assessing, mitigating, monitoring, evaluating and reporting risks."

Terms of reference

The risk and compliance committee has adopted formal terms of reference that were reviewed during the year and approved by the board of directors, and has executed its duties in the past financial year in line with these terms of reference.

Composition

Following the retirement of Bridgette Modise from the board, Timothy Leaf-Wright was appointed as chairman of the committee on 31 October 2016. The members of the committee are:

Membership	Status
Leaf-Wright (chair)	Independent
Naude	Independent
Ross	Independent
Castle	Executive

Meeting date	Attendance
3 October 2016	All present
20 February 2017	All present
29 May 2017	All present

Responsibilities

The responsibility for risk in the PPC group is clearly mapped and can be summarised as follows:

- The board is accountable to shareholders for the governance of risk and to ensure that the company's strategy and business plans have been properly considered and associated risks evaluated.
- The board has delegated responsibility to evaluate the risk management process, the effectiveness of the risk management activities, the key risks facing the company and the appropriate responses to address key risks to the risk and compliance committee of the board.

Risk management

The responsibility to design, implement and monitor the risk management plan has been delegated to management. The risk management plan ensures that the risk management policy is implemented and that the risk management processes are embedded in all the organisation's practices and business processes. The following are some of the key activities for the year under review:

- The committee reviewed the risk management framework policy and plan
- A management report on the execution of the risk management plan against targets was tabled for the committee to consider
- The six-monthly reviews of the group risk registers was conducted and the current group risk register was tabled at the board meeting in March 2017
- The committee also noted the remedial action plans of management to reduce the inherent risk exposure of the group
- The committee was satisfied that further progress had been made with embedding the risk management processes as part of the day-to-day management in the group
- Of significance is the current roll-out of a business continuity management programme in the group. As part of this programme, existing crisis management plans in the group is also under review
- The risk matrix was also been reviewed with its risk appetite and tolerance indicators

Material risks

During the period under review all the risk registers in the PPC group were reviewed. For detail on the material risk of the group refer to material issues and response strategies on page 22 of the report.

Group compliance

As a governance principle, the board ensures PPC complies with applicable laws and considers adhering to non-binding rules, codes and standards.

In the group, this responsibility has been delegated to the risk management and compliance committee. This committee's responsibilities include monitoring compliance issues, approving the compliance policy, ensuring it is observed and that compliance risks are reported.

Management is responsible for implementing the compliance policy and the day-to-day management of compliance risks. This includes responsibility for ensuring appropriate remedial or disciplinary action is taken if breaches are identified. The following issues should be noted:

- Fraud risk registers have been introduced in the group subsidiaries to limit the risk exposure of the companies
- In support of the above, a fraud prevention programme has been initiated which includes training, a communication plan and the roll out of new guidelines
- As part of the annual review programme, the group risk register was reviewed in December 2016
- Finally it should be noted that the scope of compliance was broadened by the inclusion of group policy management as well as oversight of the "know your business partner" policy of the group

Legislation watch list

The following new legislation is currently high on the PPC group watch list:

Draft carbon tax bill: The draft carbon tax bill was released for comment on 2 November 2015, but the implementation of this tax has been delayed a couple of times.

The broad-based black economic empowerment charter* for the South African mining and minerals industry was published by the Department of Mineral Resources (DMR) in June 2017.

Significant fines

During the year there have been a number of significant fines greater than R200 000 for non-compliance with laws and regulations as follows:

- A legal counter claim to the value of R3 438 526
- PPC Group Services paid tax penalties in SA in the amount of R1 566 995

Environmental compliance

For more detail we refer to the environmental report on page 122 of this report.

Health and safety

For more detail we refer to the health and safety report on page 104 of this report.

Conclusion

The following strategic focus areas were identified for the 2018 financial year:

Risk assessments

- Across all levels of PPC (group, functional and operational) efforts will be increased to improve risk calibration and categorisation in all risk registers
- Fraud and corruption risk registers will be refined

Risk reviews

- The risk appetite and tolerance matrix will be further refined and a related policy will be implemented
- Risk mitigation measures will be stress tested to ensure that they are resilient enough

Risk control measures

- Increased focus will be placed on improving the quality of mitigation measures and on monitoring progress in achieving the desired outcomes
- Business continuity management programme across PPC which is being reviewed
- Management will promote the use of policies as a tool to mitigate specific risks
- There will be an increased focus on insurance underwriting survey recommendation implementation

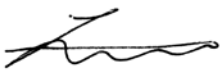
Risk mitigation monitoring

- Management will drive the roll out of combined assurance model to the South African business, international business and group finance

The committee will oversee the implementation of these objectives and report on management performance to the board.

With regard to the past financial year, the risk and compliance committee is satisfied that it has complied with its responsibilities as set out in its terms of reference.

On behalf of the risk and compliance committee



Tim Leaf-Wright
Chairman
6 June 2017

* The Chamber of Mines has since brought an urgent interdict and this legal action is being closely monitored.

INFORMATION TECHNOLOGY

IT governance

The information technology (IT) environment is governed in line with King III, and the board has delegated authority to ensure implementation of the IT governance framework to the audit committee. A programme to align these governance processes to King IV is scheduled for the next reporting period.

PPC's IT governance framework is supported by COBIT 5 (control objectives for information and related technologies) processes – a globally accepted standard for a full business view of enterprise IT governance that reflects the central role of information and technology in creating value for organisations.

The audit committee receives regular updates (at least quarterly) from the management team on material IT projects. Group internal audit and the external auditors provide assurance on IT general controls and internal financial controls affected by IT projects. Findings and updates on remedial actions are reported to the executive and audit committees. The design, implementation and execution of the IT governance framework have been assigned to the group chief information officer, who reports to the chief executive. The group exco, with support from the IT steering committee, has oversight of IT governance and prioritises IT initiatives. The IT steering committee, in turn, is responsible for aligning related initiatives with PPC's strategic objectives.

IT is an integral part of PPC's risk management framework. IT risks are monitored and updated regularly and reported to the relevant oversight committees. As the custodian of PPC's information assets, the IT team is responsible for ensuring compliance in terms of the confidentiality, availability and integrity of these assets. As the group expands to other geographies, IT ensures compliance with in-country electronic communication laws and other regulations.

IT focus areas in 2017

For the reporting period, group IT focused on:

- Operational readiness for the new plant in the DRC to ensure that all business-support systems (including enterprise resource planning or ERP) are ready for plant commissioning
- Supporting the team in Ethiopia in implementing business systems for plant commissioning
- Standardising and entrenching business processes across the group
- Optimising demand management processes for business systems to align with the business strategy and ensure resource optimisation
- Enhancing IT governance processes
- Data governance in preparation for the protection of personal information (POPI) compliance programme
- Enhancing data analytics platforms to ensure timely availability of information for business decision-making
- Defining security incident and event management (SIEM) processes for the group and further enhancing security response processes to manage rising cyber threats
- Group IT focused on enhancing the IT governance framework and activities, particularly the performance of different COBIT 5 processes. Each process was assessed on its importance and current performance, and those not performing satisfactorily will receive attention in the next reporting period

With the proliferation of cyber attacks and threats in the industry, group IT benchmarked the maturity of PPC's security against peers in the mining and manufacturing industries. Although results were satisfactory, specific areas of improvement were identified. A security improvement programme has been initiated and resources provided to improve the maturity level to set targets.

The data retention policy was approved by the exco and a programme is under way to embed specific focus areas highlighted in the policy. This will assist in further resource optimisation while managing the risk of data leakage and non-compliance to regulations.

Focus areas for 2018

- Digital transformation, particularly information transformation. This will be achieved by focusing on the group's data and digital readiness; installing the right infrastructure that is robust enough to support the group; and properly aligning IT resources to support the business with the digital transformation process
- Tighter integration and standardisation of business processes across subsidiaries
- Enhance finance processes, particularly forecasting, planning and treasury
- Enhance IT general controls across the group
- Integrating IT and operational technology to capitalise on convergence between the two environments and optimising resource use between IT and engineering

REMUNERATION REPORT

PART 1: BACKGROUND STATEMENT

Dear shareholder

I am pleased to present the remuneration committee's report for the 12 months ended 31 March 2017, highlighting key issues considered in the year. The remuneration committee (committee) considered the impact of the King IV report and has implemented a number of the suggested practices during this reporting period.

Since we presented the last remuneration policy to shareholders for the year ended 31 March 2016, changes were made to the long-term incentive (LTI) allocation mix. In addition, the performance measures of the short-term incentives (STIs) and LTIs were reviewed.

The group undertook a rights offer during September 2016 to repay the accelerated bond financing programme. The variation of capital, because of the rights offer, had a significant impact on the long-term share incentive schemes.

The rules of the share schemes follow the principle that participants should not be worse off because of the rights offer. Following this principle, the remuneration committee made the following adjustments:

- Share appreciation awards for 2016: the strike prices were adjusted downwards and the number of awards was increased
- Share appreciation awards prior to 2016: only the strike prices were adjusted downwards as these shares are "underwater"
- Forfeitable shares: no adjustments were made and participants were entitled to elect to follow their rights or sell nil-paid letters regarding the shares. The report reflects (vested and unvested) the trades exercised by prescribed officers.

Following committee deliberations, prescribed officers were reduced to core decision-makers only in line with the Companies Act, 2008 (the Act). In line with King recommendations, this report details the company-wide remuneration policy, particularly the fixed and variable elements of executive remuneration, as well as fees paid to non-executive directors.

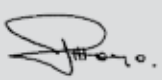
The past year has been challenging for the company mainly due to the high financing costs associated with our expansion programmes and increasing competition from new entrants in the cement industry. The effect of low economic growth and a lagging economy has impacted the demand for cement resulting in overcapacity in the market. Cement volumes remained subdued compared to the same period last year. All of these factors have resulted in an overall passive performance by the company for the year under review. The remuneration for the reporting period reflect the subdued performance of the company. Specifically the committee approved and paid a reduced STI payment to all staff and awarded no STI to the executive outcomes directors.

Given these challenges, the committee has reflected and responded to shareholder views, and incorporated a policy that ensures the delivery of sustained value as well as the attraction and retention of key skills at all levels within the organisation.

Despite the improved vote of 71% at the previous AGM, the committee considers shareholder dialogue to be imperative. In April 2016, members of the committee consulted with various shareholders on our remuneration policy. Overall, there was support for our incentive structures and the level of transparency of our report. The committee will continue to evaluate and consider feedback by shareholders, with the aim of delivering a policy that ensures sustained value as well as the attraction and retention of key skills of all levels of the organisation.

The report is presented in three parts: this background statement (part 1), followed by the company-wide remuneration philosophy and policy (part 2), and lastly the implementation of the policy for the 12 months from 1 April 2016 to 31 March 2017 (part 3).

The committee is satisfied that the principles laid down by the Act have been adhered to, unless otherwise stated in this report.



T Moyo
Chairman of the remuneration committee
6 June 2017

REMUNERATION REPORT continued

PART 2: REMUNERATION POLICY

Governance and the remuneration committee

Role of the committee

As a committee of the board, the remuneration committee assists in setting the company's remuneration policy and directors' and prescribed officers' remuneration. It operates according to its approved terms of reference, which are published on the company's website.

Members

All the members are non-executive directors, and the majority are independent as defined by King. The committee held two general meetings and two special meetings in the year, with attendance shown on page 74 of the governance report.

The chief executive, chief financial officer and group human resources executive attend meetings by invitation to assist the committee in executing its mandate. Other members of executive management are invited when appropriate. No executives participate in the vote process or are present at committee meetings when their own remuneration is discussed or considered.

The remuneration committee has appointed PwC as its independent remuneration advisers.

Terms of reference

Please refer to page 78.

Our remuneration policy

A summary of the company-wide remuneration policy and, as applicable, a detailed explanation of the policy as it applies to executive management is provided in this section. Our full remuneration policy can be viewed at www.ppc.co.za.

Company-wide remuneration policy – overview

Our remuneration policy		
Ensure employees are fairly and appropriately rewarded		Attract, retain and motivate individuals with the necessary calibre and behaviour
Fixed pay – Basic pay – Retirement benefit – Other benefits Appropriate to recruit and retain, but no in-built premium for performance.	**STIs** – Annual bonus plan Aligned to company financial performance, strategic priorities and individual performance.	**LTIs** – Share appreciation rights (SARs) plan – Forfeitable share plan (FSP) Aligned to shareholder returns over the long term.
Maximum rewards are achieved only for stretch company and high individual performance, in addition to targeted shareholder returns		

Key principles of the remuneration policy

PPC recognises that one of its sources of competitive advantage is its highly skilled employees. To meet our business objectives remuneration and reward policies and practices must support the following principles:

- Encourage organisational, team and individual performance
- Designed to drive a high-performance culture
- Based on the premise that employees should share in the success of the company
- Be designed to attract and retain high-calibre individuals with the optimum mixture of competencies
- Take into account industry benchmarks and practices of comparable companies of a similar size

The policy conforms to King and is based on the following principles:

- Remuneration practices are aligned with corporate strategy
- Total rewards are set at competitive levels in the relevant market
- Incentive-based rewards are earned by achieving demanding performance conditions consistent with shareholder interests over the short, medium and long term
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle
- The design of LTIs is prudent and does not expose shareholders to unreasonable financial risk

Further information on the group's remuneration policy can be found in the 2017 integrated report.

Elements of remuneration

Fixed/ variable	Element	Definition	Applicable grades
Fixed	Total guaranteed pay (TGP)	The fixed element of remuneration is referred to as total guaranteed pay and includes salary, car allowance, retirement, life insurance and medical aid contributions.	Paterson Grades F4 – C5
	Base pay plus benefits	Base pay refers to the cash basic pay and excludes benefits. Benefits are over and above the base pay and include the company contribution towards medical aid, retirement fund and any other employer funded group benefits.	Paterson Grades C4 – A3
Variable	STIs	An annual STI is paid in cash and gives employees an incentive to achieve the company's short and medium-term goals, with payment levels based on both company and individual performance, depending on the level of the employee.	All employees Paterson Grades F4 – A3
	LTIs	LTIs comprise instruments, awarded under two plans: – Share appreciation rights (SARs) awarded under the PPC share appreciation right scheme (SAR scheme) – Forfeitable shares awarded under the PPC forfeitable share plan (FSP) The committee retains the discretion to determine the award policy, using either or a combination of both plans: – Where used for performance, vesting is subject to company performance vesting conditions. – Where used for retention, continued employment is used as a vesting condition	Paterson Grades F4 – C5 and C4 Foremen

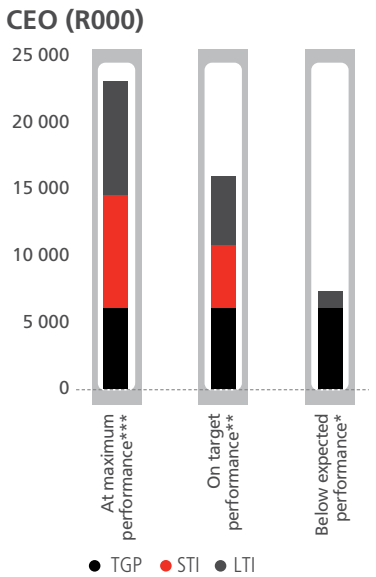
REMUNERATION REPORT continued

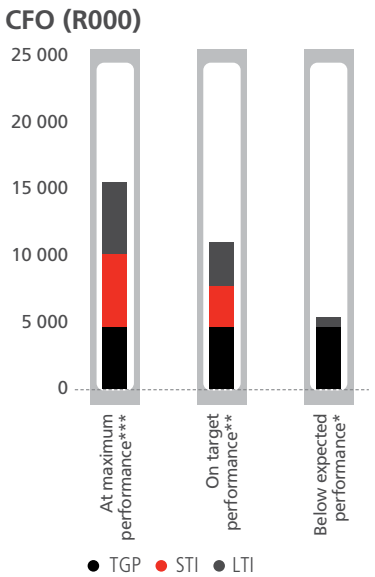
Detail on executive directors' and prescribed officers' remuneration

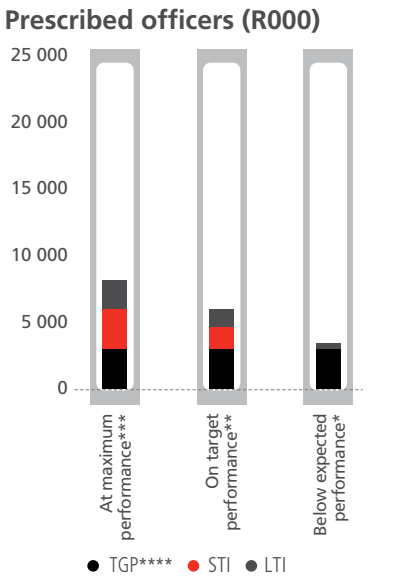
Package design

The company's policy for executive directors and prescribed officers results in a significant portion of the remuneration received being dependent on company performance. In part 3 of the report, the actual total pay outcomes for the 12 months ended 31 March 2017 are depicted, while the total pay opportunities for the chief executive, the chief financial officer and prescribed officers (on average) under the following three different performance scenarios are illustrated below:

- Above – representing 100% of maximum for variable pay opportunity
- Target – representing estimated target performance of variable pay
- Below – representing 0% of maximum for variable pay opportunity and retention shares







* LTI includes indicative expected value of retention FSPs on grant date.
** LTI includes indicative expected value on grant date.
*** LTI includes indicative expected value on grant date assuming full vesting.
**** The average TGP was used for the prescribed officers.

Overview of remuneration policy

TGP

The company generally pays fixed remuneration at the relevant market median. Despite the company's year-end of March, salaries are reviewed during September and annual increases are effected on 1 October.

Monthly pay and benefits are targeted to be competitive for comparable roles in companies of similar complexity and size, taking cognisance of the performance and experience of the employee concerned. Market data is used to benchmark salary and benefits and to inform decisions on salary adjustments. Salary increases are not guaranteed and are adjusted annually at financial year-end based on market benchmarks, market inflation, company affordability, company performance and to address market anomalies.

Professional advisers appointed by the remuneration committee provide benchmark information. In the case of executive directors, a peer group comprising listed companies are used to benchmark TGP.

Employee benefits

The following benefits are provided as part of TGP:

- Participation in the PPC Retirement Fund is compulsory for all permanent employees. The fund is a defined-contribution fund and provides risk cover for death and disability
- All employees are required to belong to a choice of company-sponsored external medical aids or to be a member of their spouse/life partner's medical aid
- All employees are covered for death, medical and disability expenses as a result of an accident
- Employees who need to use their motor vehicle in their duties can elect to allocate an appropriate portion of their TGP as a car allowance

Employees who are not on TGP receive a fixed monthly basic cash salary component – base pay and receive benefits over and above this base pay. The benefits include the company contribution towards medical aid, retirement fund and any other employer funded group benefits.

STIs

Purpose	To reward employees for contributing to achieving the company's financial and strategic objectives. The STI scheme has been designed to be easy to understand, pay out fairly and be differentiated according to individual performance, while being linked to PPC's overall financial performance.
Participation	Employees participate in the STI and levels of participation and minimum qualifying targets (thresholds) vary according to employee grades, with higher financial thresholds for senior executives.
Operation	The STI scheme is measured over a one-year period, using the following formula: Annual TGP x STI maximum % x company performance % x individual performance % The remuneration committee retains the right to vary the terms of the STI in special circumstances. For example, in previous years, this was applied on a pro rata basis across all participants to reduce the cost to company in line with lower than expected profits.
STI maximum percentage	The STI limit varies by grade: for the CEO, the STI is capped at 140% of TGP, 120% of TGP for the CFO and a range of 110% to 90% of TGP for prescribed officers.
Company performance measures and percentages	The same performance measures are used across the company, but with lower entry-level performance for junior staff. A combination of financial (70%) and non-financial (30%) business drivers are used. During 2017, the financial drivers include EBITDA, normalised HEPS and the cash conversion ratio. Non-financial drivers relate to transformation, sustainability and safety targets and thresholds are set annually for each driver with the aim of achieving the business plan and essential elements of long-term sustainability. The measures for 2018 will comprise normalised HEPS 20% weighting, cash HEPS (this measure replaces the previously used cash conversion ratio) 20% weighting and EBITDA 30% weighting. The balance of 30% comprises sustainability measures. Company performance is measured against these targets. As the targets for junior employees have lower entry levels, the bonus opportunity is commensurately lower. In the case of executive directors and prescribed officers, the target ranges from 0% (threshold performance) to 150% (stretch performance). No bonus is payable below threshold performance.
Personal performance measures and percentages	Personal performance is measured through personal scorecards with objective and subjective measures, including financial and non-financial goals. They cover all aspects of an individual's role that are important to creating value and sustainability. Personal performance ranges depend on the grade. For executive directors and prescribed officers this range from 50% (threshold) to 120% (stretch). A personal performance factor of below 50% will result in no bonus being payable, irrespective of the company performance outcome. Overall performance for executive directors and prescribed officers is expected to average 75% to 80%.
Changes for 2018	Applicable performance measures are set for each financial year. No structural changes are envisaged for 2018, however, consideration will be given to the appropriateness of future clawback arrangements in special circumstances.

REMUNERATION REPORT continued

LTIs

The company has two LTIs in place, comprising the following instruments:

- Forfeitable share plan (FSP) – the FSP comprises full value shares. Performance awards with forward-looking performance conditions and retention awards can be made under this plan
- Share appreciation rights (SARs) plan – all SARs are subject to forward-looking performance conditions

The committee regularly reviews the allocation mix between the FSP and SARs awards.

Purpose

To align share scheme participants with shareholders over the long term by making performance awards, with vesting subject to company performance conditions and continued employment, to act as a retention tool by making retention awards, with vesting subject to continued employment.

Operation and instruments

Annual awards are made. For the year under review, a combination of the following instruments were used for prescribed officers:

- SARs – rights given to employees to receive shares based on the appreciation in the share price between grant date and exercise date
- Forfeitable shares – free shares with full voting and dividend rights from award date

Participants below prescribed officer level only receive FSP awards.

The details on the allocation between these instruments are provided below.

Performance versus retention instruments

In the case of executive directors and managing directors; and prescribed officers, at least 75% and 50% respectively of the total LTI award should be performance-based. All the SAR awards have performance conditions, while the FSP comprises performance and retention awards.

The current mix between SAR and FSP performance and retention awards for executive directors and prescribed officers is as indicated in the table below:

Grade	SAR %	Retention FSP %	Performance FSP %
CEO	50	25	25
CFO	50	25	25
MDs	50	25	25
Company secretary	0	50	50

Employees within 36 months of retirement will only receive retention FSPs.

The proposed mix for 2018 is as follows:

Grade	Retention FSP %	Performance FSP %
CEO	25	75
CFO	25	75
MDs	25	75
Company secretary	50	50

Performance measurement

Appropriately stretched performance conditions are set by the remuneration committee each time an award is made, measured over a three-year performance period. Please refer to part 3 for the performance conditions and measurement used during 2017.

Vesting periods

Awards of forfeitable shares (performance awards) vest after three years and are subject to both continued employment from the date of award and the achievement of performance measures mentioned above. Retention awards awarded under the FSP are subject to continued employment measured over a three-year period.

SAR awards vest in year three to the extent that performance conditions have been satisfied, but will lapse if not exercised by the sixth anniversary of the award date. SARs are also subject to continued employment from the date of award until exercised.

Dilution

LTIs are not dilutive to shareholders as they can only be settled by purchasing shares in the market.

Changes for 2018

No SARS allocations will be made in the 2018 financial year.

Employee operational improvements

PPC has adopted a new employee evaluation grading system, namely the Paterson Classic evaluation system. The Paterson system is very flexible in terms of the number of grades and is the most widely used system in southern Africa, which supports PPC's footprint as an emerging multinational in Africa.

BEE schemes

South African employees participated in a BBBEE scheme in 2008 and a second scheme in 2012. Certain directors and prescribed officers also participated in these schemes as detailed on page 101.

Employment contracts – executive directors

The remuneration committee, subject to circumstances, will maintain the following policy for executive directors' employment contracts:

- All agreements should contain a restraint of trade clause
- Contracts should not commit the company to pay on termination arising from the director's failure to perform agreed duties
- Employment contracts should not contain balloon payments
- If a director is dismissed because of a disciplinary procedure, a shorter notice period should apply without entitlement for compensation for the shorter period
- Contracts should not compensate directors for severance because of change of control. The CEO is an exception, he has a five-year contract effective 12 January 2015 and an optional six-month compensation clause if he decides to resign post any change in control

Appointment of non-executive directors

Non-executive directors appointed during the year are subject to election by shareholders at the first shareholders' meeting following their appointment. These directors are also required to retire, according to the board rotation plan.

Non-executive director fees

The CEO recommends board fees to the remuneration committee for approval by the board. The recommendation is made after obtaining input from independent advisers on benchmark studies based on the same comparator group used for executive directors' remuneration. PPC pays its non-executive directors a retainer fee (included in the fee is the attendance at all scheduled meetings) together with an attendance fee for special meetings in excess of the scheduled number of meetings. The lead independent director fee is included in his board fee but he will be paid additional fees for his committee memberships and chairmanships.

Non-binding advisory vote on part 2

The remuneration policy will be subject to a non-binding advisory vote at the annual general meeting to be held on 28 August 2017. The policy is reviewed annually and the opinions of shareholder are an important consideration during these reviews.

REMUNERATION REPORT continued

PART 3: IMPLEMENTATION OF POLICIES FOR THE REVIEW PERIOD

Summary of remuneration activities/ decisions

The main issues considered and approved by the remuneration committee for the 12 months ended 31 March 2017 were:

- Approve the committee work plan for 2017
- Review the remuneration policy and approve the remuneration report
- Review of shareholder feedback post-annual general meeting
- Approval of TGP increases for senior management
- Approval of STI targets for executive directors, prescribed officers and all other staff
- Approval of STI outcomes for 2017
- Approval of LTIs awarded during 2017
- Review of fees payable to non-executive directors

2017 total guaranteed pay (TGP) adjustments

As mentioned in this report, annual salary increases are effected in October each year taking account of market benchmark movements and company affordability. A range of increases from 6% to 7% was granted with the lowest increase being 5% and the highest being 12%. Prescribed officers received increases ranging from 4% to 6%.

2017 STI outcomes

Due to the subdued financial performance of the company, no STIs were awarded to the CEO and the CFO. STIs for the remainder of the prescribed officers were calculated using a combination of company and personal performance. Due to affordability considerations, the company performance score was calibrated downwards from 36% to 25%. The STIs awarded to the prescribed officers listed below is a factor of the prescribed officers' TGP, maximum STI percentage, company performance and their personal performance.

STI outcomes

Name	Actual values R000	% of annual TGP
DJ Castle	0	–
MMT Ramano	0	–
JT Claassen	728	20,63
NL Lekula	654	20,63
JHDLR Snyman	396	16,88

STI scorecard

Performance measure	Weighting	Achievement	DJ Castle	MMT Ramano	Prescribed officers[1]
Financial performance targets:					
EBITDA	30%	62%	19%	19%	19%
Normalised HEPS	20%	0	0	0	0
Cash conversion ratio	20%	0	0	0	0
Non-financial performance targets:					
Transformation (BEE level)	10%	150%	15%	15%	15%
Sustainability: emissions	10%	20%	2%	2%	2%
Safety (LTIFR)	10%	0	0	0	0
Company performance score			36%	36%	36%
			x	x	x
Board discretionary factor[2]			0%	0%	70%[3]
			0%	0%	25%
			x	x	x
Maximum STI opportunity			140%	120%	110%
			x	x	x
Performance score			75%	70%	75%
			x	x	x
Annual TGP (R000)			6 103	4 661	3 016
STI (R000)			0	0	622

[1] Prescribed officers shown as an average. Personal performance scores averaged 75%.
[2] Board calibration on company score downwards from 36% to 25% based on affordability.
[3] Board discretionary factor calculated as 70% x 36% = 25%.

REMUNERATION REPORT continued

2017 LTIs awarded

The following LTIs were awarded to executive directors and prescribed officers during the year:

Name	Expected value at grant date as percentage of TGP %	Number of SARs	Number of performance FSPs	Number of retention FSPs
DJ Castle	85	1 166 195	206 400	123 900
MMT Ramano	70	712 524	126 100	75 700
JT Claassen	50	314 773	55 700	33 400
NL Lekula	50	277 494	49 100	29 500
JHDLR Snyman	35	0	74 500	44 700

The above allocations are inclusive of adjustments as a result of the rights offer.

The following performance conditions were imposed for SAR and FSP performance awards granted during 2017:

During the year the committee reviewed the performance conditions and a combination of absolute and relative total shareholder return will be used. The committee believes that the combined use of absolute and relative measures will align the interests of management with shareholders.

	Weighting	Threshold	Stretch
Absolute total shareholder return (TSR)	60%	Cost of equity	Cost of equity +6%
Relative TSR against INDI 25	40%	Median ranking	Upper quartile ranking

The following vesting profiles will apply:

	Below threshold	Threshold performance	Stretch performance
FSP	0%	30%	100%
SAR	0%	100%	–

Linear vesting will occur between the threshold and stretch performance for the FSP. SARs cannot vest in excess of 100%.

To mitigate market volatility in determining the applicable values at the onset and at vesting, a 20-day smoothing period will be applied, using the TSR daily index for the 20 trading days up to and including the start date of the performance period and the average TSR daily index for the 20 trading days up to and including the end date of the performance period. For the award during the financial year (theoretical ex-rights price) of R5,85 will be used as the starting share price.

Rights offer trades followed and exercised in respect of FSPs by executive directors and prescribed officers in the year

Name	Total rights due	Total rights sold	Total rights followed (shares acquired)
DJ Castle	729 015	104 015	625 000
MMT Ramano	620 091	212 919	407 172
JT Claassen	268 674	268 674	0
NL Lekula	231 065	73 081	157 984
JHDLR Snyman	266 489	202 533	63 956

LTIs of directors and prescribed officers

Award date	Number allocated in prior years	Number allocated in current year	Number adjusted for the effect of the rights offer	Number exercised/ vested in current year	Number forfeited in current year	Closing number	Grant price (R)*	Price on exercise date/ vesting price (R)	Exercise/ vesting gain (R000)
Executive directors									
DJ Castle									
Share appreciation rights									
2015/05/29	2 333 652	–	–	–	–	2 333 652	9,84		
2016/08/30	–	775 800	390 395	–	–	1 166 195	5,85		
	2 333 652	775 800	390 395	–	–	3 499 847			
Forfeitable shares – with performance conditions									
2016/08/30	–	206 400	–	–	–	–	–		
	–	206 400	–	–	–	–	–		
Forfeitable shares – no performance conditions									
2015/05/29	125 150	–	–	–	–	125 150	–		
2016/08/30	–	123 900	–	–	–	123 900	–		
	125 150	123 900	–	–	–	249 050			
Total									–
MMT Ramano									
Share appreciation rights									
2013/09/30 cash-settled	170 000	–	85 545	255 545	–	–	–	5,54	1 416
2015/05/29	581 300	–	–	–	–	581 300	9,84		
2016/08/30	–	474 000	238 524	–	–	712 524	5,85		
	751 300	474 000	324 069	255 545	–	1 293 824			
Forfeitable shares – with performance conditions									
2014/02/18**	128 700	–	–	–	–	128 700	–		
2016/08/30	–	126 100	–	–	–	126 100	–		
	128 700	126 100	–	–	–	254 800			
Forfeitable shares – no performance conditions									
2015/05/29	56 900	–	–	–	–	56 900	–		
2016/08/30	–	75 700	–	–	–	75 700	–		
	56 900	75 700	–	–	–	132 600			
Total									1 416
Prescribed officers									
JT Claassen									
Share appreciation rights									
2007/08/08 cash-settled	40 000	–	–	–	–	40 000	26,95		
2008/09/17 cash-settled	24 000	–	–	–	–	24 000	18,97		
2009/09/25 cash-settled	26 000	–	–	–	–	26 000	21,30		
2015/05/29	148 800	–	–	–	–	148 800	9,84		
2016/08/30	–	209 400	105 373	–	–	314 773	5,85		
	238 800	209 400	105 373	–	–	553 573			
Forfeitable shares – with performance conditions									
2014/02/18**	21 500	–	–	–	–	21 500	–		
2016/08/30	–	55 700	–	–	–	55 700	–		
	21 500	55 700	–	–	–	77 200			
Forfeitable shares – no performance conditions									
2014/02/18***	33 353	–	–	–	–	33 353	–		
2015/05/29	23 900	–	–	–	–	23 900	–		
2016/08/30	–	33 400	–	–	–	33 400	–		
	57 253	33 400	–	–	–	90 653			
Total									–

All instruments are equity-settled unless otherwise indicated.
* Grant prices revised for the effect of the rights offer.
** Instruments will be forfeited when the closed period arising from the cautionary announcement ends as the performance conditions have not been achieved.
*** Instruments will vest when the closed period arising from the cautionary announcement ends.

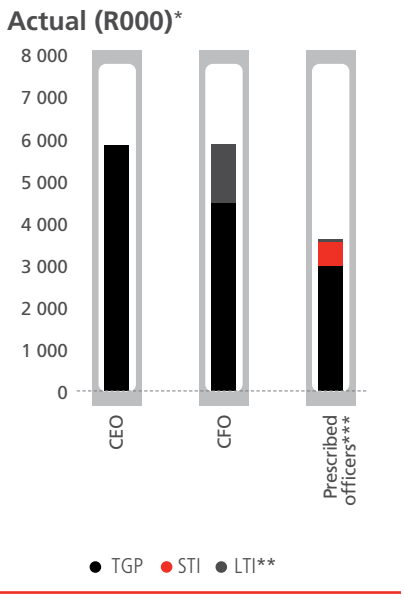
REMUNERATION REPORT continued

Award date	Number allocated in prior years	Number allocated in current year	Number adjusted for the effect of the rights offer	Number exercised/ vested in current year	Number forfeited in current year	Closing number	Grant price (R)*	Price on exercise date/ vesting price (R)	Exercise/ vesting gain (R000)
NL Lekula									
Share appreciation rights									
2007/08/08 cash-settled	38 000	–	–	–	–	38 000	26,95		
2008/09/17 cash-settled	30 000	–	–	–	–	30 000	18,97		
2009/09/25 cash-settled	24 000	–	–	–	–	24 000	21,30		
2015/05/29	126 200	–	–	–	–	126 200	9,84		
2016/08/30	–	184 600	92 894	–	–	277 494	5,85		
	218 200	184 600	92 894	–	–	495 694			
Forfeitable shares – with performance conditions									
2014/02/18**	18 300	–	–	–	–	18 300	–		
2016/08/30	–	49 100	–	–	–	49 100	–		
	18 300	49 100	–	–	–	67 400			
Forfeitable shares – no performance conditions									
2014/02/18***	11 000	–	–	–	–	11 000	–		
2015/05/29	20 300	–	–	–	–	20 300	–		
2016/08/30	–	29 500	–	–	–	29 500	–		
	31 300	29 500	–	–	–	60 800			
Total									–
JHDLR Snyman									
Share appreciation rights									
2007/08/08 cash-settled	25 000	–	–	–	–	25 000	26,95		
2008/09/17 cash-settled	27 000	–	–	–	–	27 000	18,97		
2009/09/25 cash-settled	23 000	–	–	–	–	23 000	21,30		
2015/05/29	114 400	–	–	–	–	114 400	9,84		
	189 400	–	–	–	–	189 400			
Forfeitable shares – with performance conditions									
2014/02/18**	15 100	–	–	–	–	15 100	–		
2016/08/30	–	74 500	–	–	–	74 500	–		
	15 100	74 500	–	–	–	89 600			
Forfeitable shares – no performance conditions									
2014/02/18***	9 000	–	–	–	–	9 000	–		
2015/05/29	18 400	–	–	–	–	18 400	–		
2016/08/30	–	44 700	–	–	–	–	–		
	27 400	44 700	–	–	–	27 400			
Total									–
SG Helepi (resigned 14 February 2013)									
Share appreciation rights									
2007/08/08 cash-settled	18 000	–	–	–	–	18 000	26,95		
	18 000	–	–	–	–	18 000			
Total									–

All instruments are equity-settled unless otherwise indicated.
* Grant prices revised for the effect of the rights offer.
** Instruments will be forfeited when the closed period arising from the cautionary announcement ends as the performance conditions have not been achieved.
*** Instruments will vest when the closed period arising from the cautionary announcement ends.

Vesting of 2014 FSPs

The performance awards granted under the FSP will not vest due to the non-fulfilment of the performance conditions. The vesting period of the 2014 FSP retention awards expired during the 2017 reporting period but these shares have not vested and not been released to participants due to the company currently being under cautionary following the announcement of a potential merger with AfriSam.



* Actual represents remuneration for the past 12 months whereas the policy remuneration scenario graphs in part 2 reflect potential outcomes.

** LTI for CFO includes vested value of restricted share units (RSUs). For other prescribed officers, this includes the year-end value of retention FSPs (these have not yet been released due to the closed period).

*** Average TGP, including once-off benefits.

Total remuneration outcomes

Remuneration paid to executive directors and prescribed officers for the 12 months ended 31 March 2017

R000	Salary	TGP, retirement and medical contributions	Car allowance	STI	LTI[3]	Other	Total
Executive directors							
DJ Castle	5 230	700	–	–	–	8[4]	5 938
MMT Ramano	3 473	817	240	–	–	1 421[1]	5 951
Prescribed officers							
JT Claassen	2 633	497	300	728	–	8[4]	4 251
NL Lekula	2 693	359	–	654	–	219[2]	3 997
JHDLR Snyman	1 925	244	117	396	–	6[4]	2 747
	15 954	2 617	657	1 778	–	1 662	22 884

[1] Includes R1 415 719 in respect of vesting of restricted share units granted in 2013.
[2] Relocation allowance paid in April 2016.
[3] The vesting period of the 2014 FSP retention awards expired during the 2017 financial year but vesting has not occurred due to the company currently being under cautionary following the announcement of a potential merger of AfriSam with PPC. A five-day VWAP at year-end was used to estimate the benefit.
[4] Represents sundry expenses relating to medical gap cover and executive holiday accommodation.

REMUNERATION REPORT continued

Remuneration paid to executive directors and prescribed officers for the six-month period ended 31 March 2016

R000	Salary	TGP, retirement and medical contributions	Car allowance	STI[3]	LTI[2] realised	Other[4]	Total
Executive directors							
DJ Castle	2 546	305	–	–	–	8	2 859
MMT Ramano	1 605	475	98	–	–	4	2 182
Prescribed officers[5]							
JT Claassen	1 275	240	150	–	143	5	1 813
NL Lekula[1]	863	115	–	–	140	1	1 119
KPP Meijer[6]	388	116	39	–	–	4 353	4 896
JHDLR Snyman	936	118	59	–	116	1	1 230
	7 613	1 369	346	0	399	4 372	14 099

[1] Appointed November 2015.
[2] LTI realised refers to FSP retention shares that vested in February 2016.
[3] No STI paid in the period.
[4] Other represents sundry expenses relating to medical gap cover, executive holiday accommodation expenses, etc.
[5] Following committee deliberation, prescribed officers reduced to core decision-makers only in line with the Companies Act.
[6] Resigned effective December 2015. Other comprises negotiated mutual separation package made up as follows: annual leave pay – R127 000, negotiated separation package – R2,6 million, notice pay – R813 000, balance of restraint of trade – R813 000.

Increase in non-executive directors' fees

The board did not propose any increase but an inflationary adjustment will be proposed to shareholders at the next AGM.

Total emoluments to non-executive directors for the 12-month period ended 31 March 2017

Non-executive directors' fees are as approved at the previous AGM and valid until the next AGM on 28 August 2017.

			Committees							
R000	Board fees	Chairman fees	Nominations	Audit	Risk and compliance	Remuneration	Social, ethics and transfor-mation	Investment	Special meetings[3]	Total
S Dakile-Hlongwane	253	–	–	–	–	–	83	–	230	566
N Gobodo[1]	68	–	–	32	–	–	–	–	–	100
N Goldin	253	–	–	64	–	95	–	139	316	867
TJ Leaf-Wright	253	–	–	–	95	–	83	139	424	994
T Mboweni	236	–	100	–	–	–	169	–	81	686
SK Mhlarhi	253	–	–	–	–	95	–	119	301	768
B Modise[2]	135	–	–	112	145	–	–	–	278	670
T Moyo	253	–	100	168	–	153	–	–	404	1 078
C Naude	253	–	–	–	95	95	–	281	420	1 144
PG Nelson	–	1 291	179	–	–	95	–	–	543	2 108
TDA Ross	329	–	–	286	95	–	–	139	428	1 287
	2 286	1 291	379	662	430	533	335	817	3 535	10 268

[1] Appointed 8 February 2017.
[2] Resigned effective 31 October 2016.
[3] Number of special meetings was impacted by rights issue.

Total emoluments to non-executive directors for the six-month period ended 31 March 2016

R000	Board fees	Chairman fees	Committees: Nominations	Audit	Risk and compliance	Remuneration	Social, ethics and transformation	Investment	Special meetings	Total
S Dakile-Hlongwane[1]	51	–	–	–	–	–	–	–	40	**91**
N Goldin	137	–	–	–	–	73	–	31	40	**281**
ZJ Kganyago[2]	82	–	–	–	–	–	–	–	–	**82**
TJ Leaf-Wright	137	–	–	–	38	–	45	31	79	**330**
MP Malungani[3]	104	–	–	–	–	–	45	62	–	**211**
T Mboweni	137	–	98	–	–	–	77	–	140	**452**
SK Mhlarhi	137	–	–	–	–	92	–	31	59	**319**
B Modise	137	–	–	87	77	–	–	–	80	**381**
T Moyo	137	–	89	87	–	–	–	–	60	**373**
CH Naude	137	–	–	–	38	92	–	–	119	**386**
PG Nelson	137	–	–	87	–	187	–	–	238	**649**
TDA Ross	179	–	–	174	38	–	–	43	196	**630**
BL Sibiya[4]	–	431	187	–	–	53	–	31	40	**742**
	1 544	**431**	**382**	**435**	**191**	**497**	**167**	**229**	**1 091**	**4 927**

[1] Appointed January 2016.
[2] Alternate to BL Sibiya, resigned January 2016.
[3] Resigned January 2016.
[4] Resigned January 2016.

Interests of executive directors and prescribed officers in share capital

The aggregate direct beneficial holdings of directors and their immediate families (none of whom holds over 1%) in the issued ordinary shares of the company are detailed below. There are no indirect holdings by directors and their immediate families. The shareholdings are as follows:

Name	Number of shares as at 31 March 2017
Directors	
DJ Castle	625 000
MMT Ramano	433 749
Prescribed officers	
NL Lekula	149 605
JHDLR Snyman	–

Name	Number of shares as at 31 March 2016
DJ Castle	–
MMT Ramano	134 143
NL Lekula	–
JHDLR Snyman	24 100

Interests of directors and prescribed officers in BBBEE schemes

In 2008, in terms of the company's first BBBEE transaction, certain executive directors and prescribed officers were granted participation rights in the loan-funded Black Managers Trust which owns shares that are subject to vesting conditions and a lock-in period restricting transferability which expired on 15 December 2016. No value was passed onto beneficiaries at this date as the structure was underwater at the vesting date as a result the number of shares remain unchanged.

In the 2013 financial year, after implementation of the company's second BBBEE transaction, executive directors and prescribed officers were included among South African employees granted participation rights in a notional loan-funded trust owning shares that are subject to vesting conditions and a lock-in period restricting transferability which expires in September 2019.

Participation rights	BEE 1	BEE 2
Executive directors		
MMT Ramano	335 249	372 737
Prescribed officers[1]		
JT Claassen	–	22 501
NL Lekula	109 531	220 634
JHDLR Snyman	–	18 167

[1] Following committee deliberations, prescribed officers were reduced to the company secretary and core decision-makers only in line with the Companies Act.

Non-binding advisory vote on part 3

The implementation report will be subject to a non-binding, advisory vote at the annual general meeting to be held on 28 August 2017.

R105 billion*

Project cost

MEDUPI POWER STATION, SOUTH AFRICA

23° 42′ 13.0414″ S
27° 34′ 3.0972″ E

* Reference: Eskom integrated results for the year ended 31 March 2014

PEOPLE REVIEW

HEALTH AND SAFETY

Highlights

- Eight of 17 sites in South Africa and five of seven international sites recorded a zero lost-time injury frequency rate (LTIFR)
- Nine PPC sites exceeded one million lost-time injury-free hours
- Nine sites or business units have over three years without a lost-time injury (LTI)
- Pronto (11 sites), 3Q Mahuma (17 sites) and Safika (five sites) now included in PPC group safety and health programme
- Project Msasa in Harare successfully commissioned with zero LTIs over construction period of 22 months
- New employee safety engagement programme introduced
- Significant reduction in malaria prevalence maintained at DRC project site and adjacent villages since introducing comprehensive prevention programme in FY2016

Lowlights

- One fatality at 3Q Mahuma Rustenburg and 31 LTIs in 2017, up significantly from prior years
- Challenges with speed of entrenching safety and health standards at new subsidiaries and start-up operations
- Safety performance at some established PPC South African operations did not improve during the year. A safety initiative, known as Snakes and Hazards, is being implemented to address this

PPC health and safety policy

(revised March 2017)

PPC is committed to protecting the occupational health and safety of employees, contractors and visitors in the workplace and, where appropriate, other stakeholders. The PPC group demonstrates this commitment through its occupational health and safety management system that is entrenched in all organisational activities and conforms to recognised occupational and railway health and safety standards, and legal frameworks.

PPC will establish clear accountability for leading occupational health and safety standards in the company and although legal compliance is the foundation of the PPC health and safety management system. It will also monitor emerging issues, technological innovations and stakeholder interests to ensure effective and sustainable solutions to health and safety challenges. Accordingly, the health and safety policy will be reviewed and revised periodically.

To achieve best-in-class occupational health and safety performance, PPC is committed to:

- Building through engagement and empowerment, a proactive, high-reliability health and safety culture at individual, leadership and organisational levels
- Providing the necessary resources and implementing formal systems and structures to ensure an effective health and safety management system for the group to achieve related objectives
- Maintaining a specialised health and safety function for an informed view of associated risks from business activities
- Continuously identifying and controlling occupational health and safety risks to eliminate or minimise related hazards in the workplace and, where appropriate, neighbouring communities
- Establishing meaningful metrics to monitor our health and safety performance, and using these to set goals for continual improvement
- Reporting and investigating health and safety incidents and actively sharing best practices and learnings
- Educating, training and developing employees and other stakeholders, where appropriate, to ensure each person is able to act in a way conducive to health and safety
- Maintaining open and transparent relations with all our stakeholders on occupational health and safety matters
- Actively involving employee representatives in managing health and safety

It is the responsibility of PPC's leaders to ensure this policy is understood, effectively communicated and implemented throughout the group. All employees are responsible for understanding the impacts of this policy on their day-to-day work practices and are expected to apply and support these principles.

Supporting PPC's international expansion strategy, the latest revision of the health and safety policy ensures further alignment with the requirements of the World Bank, in-country legislation and recognises the extent of railway-related activities (South Africa only) on PPC sites while facilitating appropriate accountability for safety at all levels in the organisation.

Safety performance

PPC prides itself on excellent safety systems and has made considerable progress in recent years, but reported a mixed safety performance in the review period. While we recorded one fatality compared to two in the prior period, no fatalities are acceptable. The disappointing increase in LTIs to 31 is receiving urgent management attention.

We use management control as the guiding principle to determine whether safety statistics are reported in PPC group figures or separately:

- Where PPC has a majority share in the business, it completes a financial consolidation and therefore has effective management control. Safety statistics are included in group data
- Where PPC does not consolidate the financials (ie does not have majority shareholding) or have effective management control, statistics are reported separately

Under this definition:

- Safika (95%), Pronto and 3Q Mahuma (100%) health and safety statistics are included
- Habesha (38%) is excluded and has been reported separately from PPC group statistics

PPC sadly reports one fatality at its 3Q Mahuma Rustenburg operation (North West province) in the period, when an employee fell off a concrete truck on 27 January 2017 and died from secondary complications in hospital on 13 March 2017. Our deepest condolences go to his family, colleagues and friends. PPC affirms its commitment to the health and safety of all its team members and other stakeholders. These incidents (fatalities and lost-time injuries) strengthen our resolve to continuously improve our safety performance. As with all other significant incidents, full investigations are conducted and corrective steps and learnings are implemented throughout the group.

Group safety statistics

For comparison, all statistics below are based on a rolling 12 months except for the six months to March 2016 which was the change-over period to the new financial year.

Group safety statistics

	Target March 2018	Actual[5] March 2017	Excluding Pronto, Safika and 3Q March 2017	Actual 6 months to March 2016	Actual September 2016	Actual September 2015	Actual September 2014	Actual September 2013
Fatalities	**0**	1	0	2	2	0	0	1
FFR[1] per 200 000 hours worked	**0**	0,01	0	0,05	0,02	0	0	0,02
Number of LTIs	**None set**	31	21	10[3]	20	18	16	18
LTIFR per 200 000 hours worked (12-month window)	**0,32[4]**	0,37	0,28	0,24	0,24	0,24	0,25	0,28
Days lost to LTIs	**None set**	599	440	239	511	804	663	1 060
Significant administrative notices[2] (number)	**None set**	4	4	3	6	4	2	9

[1] Fatality frequency rate.
[2] Section 54 (Department of Mineral Resources – South Africa only).
[3] 32 incidents resulted in 31 LTIs and one fatality.
[4] 2018 target includes Safika, Pronto, 3Q, DRC, CIMERWA and Harare factory.
[5] Assurance scope includes all SA PPC sites, Pronto, Botswana and Zimbabwe.

This is the first 12-month reporting period after changing to our new financial year-end and, as such, direct comparison with the previous reporting period of six months does not provide useful trends. The addition of new businesses to the group also complicates direct comparisons with prior years.

Although the group lost-time injury frequency rate (LTIFR) was stable over the previous five reporting periods, we recorded a 55% rise in lost-time injuries (LTIs) in FY2017.

This largely reflects the increased number of contractors, projects and start-up businesses, which also contributed to a higher risk profile for PPC. Of concern is the on-boarding process of new subsidiaries and conversion from a project into first year of operation for CIMERWA, as it seems the time required to establish health and safety programmes in these operations was underestimated. To illustrate, the table above shows that over 30% of group LTIs were recorded at Pronto, Safika and 3Q but these operations represent less than 10% of total hours worked for the group.

The severity of incidents, reflected partially in days lost to LTIs, increased marginally from previous years and indicates that LTIs generally are not leading to long-term health impacts.

PPC uses a structured incident analysis tool for all significant incidents. Root causes are comprehensively assessed across people, the environment, equipment/tools/material, procedures/standards and organisational factors. Action plans and lessons are shared to eliminate similar incidents group-wide.

Analysis of energy sources

In reviewing LTIs (table below), there seems to be a poor understanding of energy sources and the dangers they pose, particularly mechanical energy. This, coupled with a lack of mindfulness, is probably a major contributing factor in the incidents we have recorded. After assessing root causes and potential solutions, we developed the snakes and hazards programme (a new risk assessment and treatment initiative built around commonly understood hazards and risks using the characteristics of snakes (see page 108).

The breakdown of incidents by energy source below confirms that mechanical energy is a significant issue.

LTI and fatality energy sources

Energy source	Number
Mechanical energy such as injuries/fatalities caused by slips, trips, fall from height, lifting, caught between, falling objects	29
Electrical energy such as injuries/fatalities caused by electrical shock	1
Chemical energy such as injuries/fatalities caused by all chemical substances	1
Radiation energy such as injuries/fatalities caused by radioactive material	0
Thermal energy such as injuries/fatalities caused by hot material or surfaces	1

PEOPLE REVIEW continued

Group statistics by region

The group recorded 32 serious incidents, including the noted fatality, in the review period: 18 were PPC employees and 14 were contractors.

Group statistics by region/operation

Number	12 months to March 2017[6]	6 months to March 2016	12 months to September 2016	12 months to September 2015
Total	**32[5]**	12[1]	18	19
Operational LTIs and fatalities	**28**	8	14	16
Project LTIs and fatalities	**4**	4	4	3
PPC employees injured and fatality	**18**	7	10	14
PPC contractors injured	**14**	5	8	5
SA operations' LTIs and fatality	**27**	6	11	15
International holdings' LTIs	**5**	6	7	4
Established sites[2] LTIs	**14**	5	na[4]	na
New sites[3] LTIs and fatality	**18**	7	na	na

[1] One fatality and 11 LTIs.
[2] Established sites include: Dwaalboom, De Hoek, Jupiter, Hercules and Beestekraal, Slurry, Riebeeck, Port Elizabeth, Mount Steward, Grassridge, Lime Acres, Saldanha, Montague Gardens, Sales and Marketing, Sandton, Group Laboratory Operations, Aggregates SA (Mooiplaas and Laezonia), George, Colleen Bawn, Bulawayo, Aggregates Botswana, Botswana depot.
[3] New sites include: SK9 project, Pronto, 3Q Mahuma, Safika, Harare factory (Zimbabwe), CIMERWA (Rwanda), DRC factory (DRC).
[4] Meaningful comparisons with current year not possible.
[5] One fatality and 31 LTIs.
[6] Assurance scope includes all SA PPC sites, Pronto, Botswana and Zimbabwe.

Cement SA

(includes Safika and SA projects but excludes Pronto, 3Q and Lime which are part of the PPC materials business)

Cement SA recorded 19 LTIs in the period.

International holdings

International holdings recorded five LTIs in the period, as follows:

- PPC DRC Barnet recorded one LTI
- CIMERWA factory in Rwanda recorded four LTIs
- Botswana depot and Zimbabwe (Colleen Bawn, Bulawayo and Harare factories) all recorded an excellent safety performance with zero LTIs

Materials

(includes Aggregates SA and Botswana, Lime Acres, Pronto, Ulula and 3Q Mahuma)

Materials recorded a poor year-on-year safety, especially at Lime and 3Q. Of the seven LTIs, three each occurred at 3Q and Lime Acres, with one at Ulula's Kriel plant. There was one fatality at 3Q Rustenburg plant.

Project Habesha – Ethiopia

The Habesha project recorded no LTIs in the period. PPC and Habesha management have agreed to cooperate in establishing acceptable safety standards at the project. PPC assists Habesha where necessary with all health and safety matters and strives to implement standards similar to those in other PPC international operations.

Focus areas for 2018

Focus areas for the coming year have been developed to address our changed risk profile. The target for 2018 includes all these operations, recognises that safety interventions take time to produce significant results and underscores our commitment to succeed in the short term. We note that in comparing new sites and established sites against past years, readers should consider project phasing and acquisitions in each year.

The increase in injuries reflects the start of construction activities at our SK9 project, where there were three LTIs, as well as seven between our new subsidiaries, Pronto, Safika and 3Q. The operational readiness process followed for projects Barnet and Msasa paid dividends, with zero injuries recorded during their commissioning phases.

Of concern is the high number of LTIs (14) recorded at established PPC operations during the year. PPC has reviewed these incidents and developed initiatives at group and site level to improve safety performance. The increase in the number of contractors injured means we will need to review and improve contractor management practices at both our projects and normal operations.

Group visits by authorities

PPC recognises the important roles played by the Department of Mineral Resources (DMR) and Department of Labour (DOL) in South Africa to improve safety and health at our sites. We continue to support officials in this work. We also look forward to jointly strengthening cooperation and the legal framework in all our international operations.

Authority visits

	12 months to March 2017	6 months to March 2016	12 months to September 2015	12 months to September 2014
Number of visits	34	13	28	48
Section 54 (SA – work stoppage)	4	3	4	2
Section 55 (SA – notice to rectify)	7	0	16	2
Other (non-SA)	0	0	2	7

During the period, PPC had 34 visits by authorities. Two of the four administrative notices (DMR – section 54) served followed LTIs at Slurry (factory and SK9 project), while the other two were for infringements at Dwaalboom relating to a trackless mobile machinery operator licence and proximity detection system.

PPC also received seven notices (section 55) from the DMR on health and safety issues, including:

- One visit by DOL to Ulula Ash (Kriel) after an LTI, but no instructions were issued
- One visit from the Department of Water and Sanitation (DWS) to 3Q Brits, which was instructed to present a plan to improve stormwater management, dust suppression, bunding aggregate stockpiles and erecting a berm to contain dirty water
- There were no visits from authorities in other countries in the review period

PPC is focused on aligning its operations with regulatory requirements.

Occupational health

All contractors and employees undergo health and safety induction before starting work.

In addition to entry, annual and exit medical examinations for all PPC employees and contractors, we conduct extensive pre-deployment health evaluations for expatriate workers (including all employees and contractors travelling for international assignments). These include medical assessments, fitness to work and/or travel, individual travel health assessments, vaccination requirements and malaria prophylaxis.

All legal health and medical reporting requirements of the DMR or DOL, as applicable, have been met. In addition, under the mining charter scorecard, PPC reports on HIV/Aids and tuberculosis programmes run by clinics at group operations. Reported prevalence is low in South African operations for both diseases, with fewer than 60 and 30 confirmed cases respectively across all sites. No cases of silicosis were reported in the period, maintaining the trend of the past 10 years and incidence remains extremely low in PPC. Robust recording standards for these conditions are still being implemented in certain operations outside South Africa.

PPC conducts occupational hygiene surveys (lighting, noise, dust, ergonomics, heat, vibration, ventilation) at all established operations. Where issues are identified, these are rectified with advice from occupational hygiene and medical personnel. Occupational hygiene surveys will be introduced at new operations and subsidiaries as required based on the relevant occupational health risk assessment.

In 2016, we implemented a malaria control programme at our DRC project site. We are also working with the government of Rwanda (CIMERWA factory) to control malaria through initiatives such as malaria awareness induction, insect repellent, issuing malaria test kits and extensive malaria vector spraying at construction and accommodation sites and adjacent villages. We are pleased to report that a significant reduction in malaria prevalence in these areas is being maintained.

PPC is active in Chamber of Mines' structures to obtain information and add value on complying with various elements of the mining charter. The related scorecard for all South African mining sites was completed and submitted to the relevant regional offices of the DMR in March 2017.

All PPC South African manufacturing sites remain certified under the OHSAS 18001 standard.

Outlook

PPC's strategy to grow its business entails expanding existing operations; constructing, commissioning (both greenfield and brownfield) projects, operating new sites and diversifying into a number of other materials and services businesses. The safety and health risk profile of each of these initiatives differs vastly and although PPC is guided by its overall health and safety policy, implementation methods and processes need to consider in-country dynamics.

At present, operations in DRC and Zimbabwe are ramping up production, construction is complete and commissioning of SK9 project scheduled for early in calendar 2018. We also added 3Q Mahuma as a subsidiary. The challenges of building and maintaining robust safety and health systems are therefore significant. Simultaneously, we recognise that we need to strengthen the base in our established operations.

Focus areas for 2018

Why we do it

PPC passionately cares for the health and safety of all its people across all operations. We are sincere about making a difference to ensure all our people get home healthy and safe each day. As such, PPC is striving to create a culture of zero harm and become more resilient.

How we do it

- Leadership commitment through mindful leadership engagements on health and safety at all levels in the group
- Investing in people by ensuring we have the right people with the right training and education. This includes resources dedicated to managing health and safety across all operations
- Investing in health and safety systems to proactively manage health and safety to become more resilient
- Ensuring physical environment such as infrastructure, equipment, structures and tools are fit for purpose and properly maintained
- Legal compliance with all in-country health and safety legislation

What we do

PPC has established health and safety systems that include risk assessments, thorough incident investigations based on the serious incident analysis technique, regular inspections, observations and audits (internal and external as well as legal compliance audits) and reporting.

PEOPLE REVIEW continued

We appreciate that our operations are constantly changing and we need to be able to adapt, as safety is not about the absence of something, but the presence of positive, proactive activities. As a result, PPC has identified a number of initiatives for 2018:

- **Leadership commitment**
  Senior executives recognise the critical role of leaders in safety management. Key members of the executive and other senior leaders will undergo mindful leadership coaching to properly lead our snakes and hazards process discussed below.

- **People engagement and empowerment**
  In the last quarter, PPC introduced a safety initiative, **snakes and hazards**, to improve performance. This is essentially a simple form of risk assessment using the characteristics of three snakes to identify hazards in the workplace: puff adder (hidden hazards), python (developing hazards) and cobra (obvious hazards). The power of this programme lies in the universal knowledge that snakes may be dangerous. Using these snakes to firstly identify and then characterise hazards, we provide an excellent foundation for proper discussion and communication (engagement) on the hazards and appropriate actions. We have developed a roll-out plan for the 2019 financial year across all PPC operations and new subsidiaries.

- **SHEQ (safety, health, environment, quality) systems improvement**
  Understanding that existing platforms no longer adequately met our requirements as a SHEQ management tool, we initiated a project to acquire a software tool to integrate all safety, health, environment and quality systems. Spearheaded by group IT, much work has already been done to identify and source suitable service providers. Project implementation will start in FY2018, with the new system used for:
  - Integrating SHEQ systems
  - Health and safety reporting – supported by transparent health and safety information, and appropriate access to that information
  - Efficiency and effectiveness of health and safety systems such as inspections, observations, risk assessment, investigations, audits, incident reporting
  - Sharing health and safety learning points
  - Tracking and closing out health and safety actions (corrective and preventive)

- **Engaging new subsidiaries**
  Given the poor safety performance of our new subsidiaries (Pronto, Safika and 3Q), safety efforts will be increased considerably. The following actions have been implemented or are under way:
  - Leadership commitment processes
  - Optimised legal appointment structures
  - SHE representative and legal compliance training (up to supervisor level)
  - Appointing SHE representatives at Pronto
  - Initiating safety committee meetings at Pronto and 3Q

- **Commitment for current operations**
  For existing established PPC operations, our identified focus areas for safety improvement include:
  - Safety culture surveys
  - Behaviour benchmarking
  - Snakes and hazards, with additional behavioural components piloted at Lime Acres
  - Programme development, training and implementation
  - Renewed focus on mindful leadership visits to improve presence of management on the shopfloor
  - Focus on incident analyses to identify root causes and sharing learning points through the *So What* incident review process

- **Engaging international operations**
  Our operations in DRC and Rwanda are new and require additional support. For DRC, a comprehensive operational readiness plan was developed, with health and safety training identified as a critical issue. Extensive training at worker and supervisor level prior to commissioning has definitely contributed to the solid safety performance during commissioning.

  CIMERWA also requires additional support for health and safety. As a first step, an internal health and safety audit (gap analysis) will be conducted in the first quarter of FY2018. After that, an action plan will be prepared and agreed with the CIMERWA management team.

- **Reinforcing project safety**
  For the Zimbabwe (Msasa) and South African projects (SK9), we engage with contractors to establish and implement appropriate health and safety programmes. We also use learning points from previous projects and findings from incident investigations to guide improvement in these programmes. Specific attention is paid to:
  - Training – all contractors complete site-specific induction in their mother tongue (English, Mandarin, etc) before being allowed on site. Job-specific training through accredited third-party companies (rigging/slinging, work at heights, scaffold erectors, trackless mobile machinery operators, etc) and individual competency cards issued to people with specific training
  - Safety structure – appointing project safety team comprising chief plus three safety officers. Given that the main contractors for our current large projects are Chinese, a fourth safety officer who speaks Mandarin has been appointed to the SK9 project site management team
  - Communication – Chinese translators are available to assist with communication, training and translation of documents
  - Safety inspections – daily site safety visits and inspections and third-party inspection of all lifting equipment and tackle to ensure colour coding and legal compliance
  - Risk assessments – continuously reviewing contractor risk assessments and method statements for high-risk activities

HUMAN CAPITAL

Highlights

- High success rate of artisans qualifying from our accredited Technical Skills Academy – all employees who wrote their trade test passed
- Substantive negotiations with unions concluded within mandate and without industrial action
- Adoption of new leadership framework and competencies aligned to PPC's vision and strategy, and global best practices
- Revised talent management strategy and processes after review that highlighted areas of focus to strengthen our talent pipeline
- Good engagement level with employees, despite business challenges faced in 2016
- Bursaries split between children of employees and children from our communities

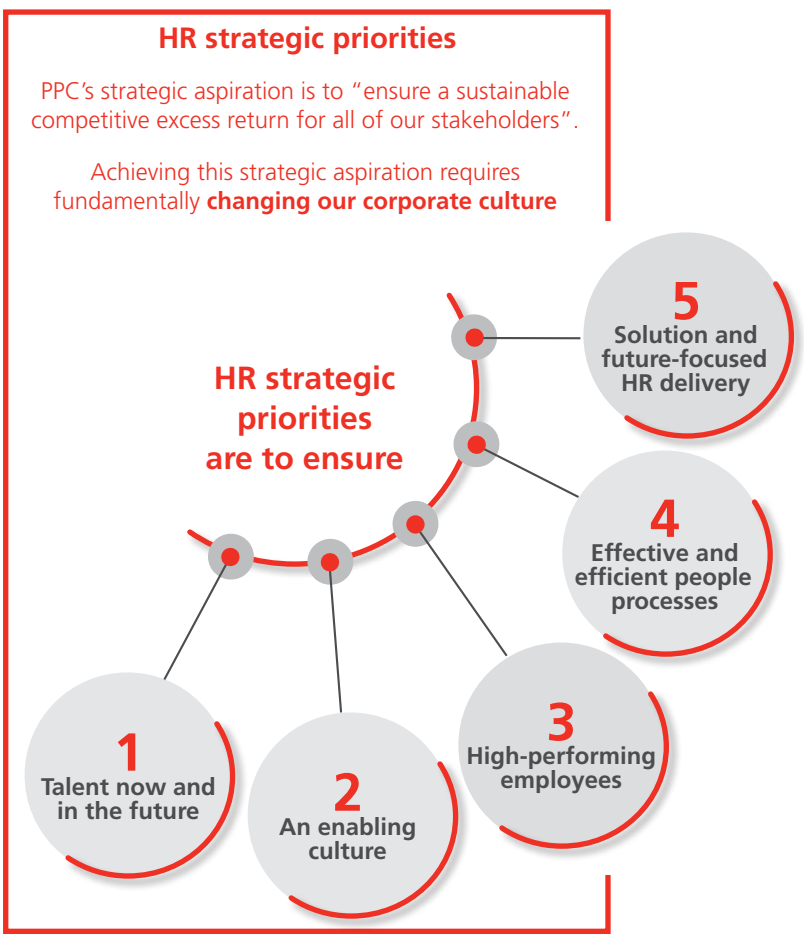
Lowlights

- Increase in number of high-potential employees from designated employment equity groups left PPC in the last year

Managing our people

As our footprint in South Africa and across the continent expands, so does the importance of harnessing the collective skills of our people. In newly acquired and greenfield operations, we have launched human resource (HR) initiatives to align related services and processes to the needs of those business units and to group strategic plans. These have been phased to ensure sustainable and effective implementation of the group's HR strategy and initiatives.

In line with PPC's vision, our HR strategy focuses on aligning our corporate culture and processes to the evolving business landscape and our core values, illustrated below.



Various HR initiatives under the different pillars have been developed and implemented. These include an integrated talent management and dedicated review process to ensure PPC has the talent pipeline to meet current and future business demands, relaunching the performance management approach focused on delivering sustainable results in a high-performance culture and a revised leadership framework with associated skills. We believe a change in culture can only be driven by leadership, hence our current strong focus on leadership alignment and development.

Feedback from the climate survey (page 110), independently managed, indicates that our team members remain positive and committed to PPC and its people philosophies. The HR team continues to focus on being an effective partner to ensure world-class strategies and processes are embedded in the business.

Business success through high performance

For PPC to achieve its objectives, all employees must be aligned to its strategic direction. This is cascaded throughout the group to drive functional, team and individual performance. One of the highlights of the 2016 climate survey was that 90% of participating employees (56% of workforce) confirmed that they understand their performance outputs and how their contribution impacts their department or site. It is critical in a high-performing culture that everyone understands what is expected of them and that they have the means, ability and attitude to positively influence the performance of their department and site.

In the reporting period, we reviewed and updated our performance management principles, policy, process and scorecard to align with best practice and ensure they support the high-performance culture we are entrenching. All employees are being taken through these updates to ensure a common understanding of our approach. Our aim is to embed a culture of ongoing feedback on performance.

PEOPLE REVIEW continued

Talent reviews and succession management

We continue to focus on ensuring we have talent now and for the future. The goal is to identify, develop and retain highly talented and diverse individuals for a continuous supply of potential successors in key leadership, critical and scarce skills positions. In these reviews, we identify key talented people who will take the business to the next level and address any identified development gaps. The process starts at site level and is consolidated for PPC to inform a group succession plan and heat map. An action plan to close any gaps is then compiled and distributed to the respective sites or business units for implementation.

The group succession planning review is scheduled for May each year and, this year, we will be able to compile a consolidated succession plan for the group. Talent review data indicates the need to fast track the readiness of employees to assume leadership roles and to build a pipeline of successors for critical roles. We are closing identified gaps to ensure we build a pool of talented individuals who will be ready to assume leadership roles in the next one to three years, while developing those who will be ready in future. Given our aim to ensure a group-wide alignment and understanding of HR initiatives, we have introduced sessions to inform line managers and employees on our talent approach, clarify the strategic objective of talent management and how it is being embedded in PPC.

Empowering people

PPC's relevant, empowered, actualised and lasting (REAL) transformation philosophy is a strong foundation to grow and empower employees. As part of this approach, the second phase of our BBBEE transaction in 2012 increased effective black ownership of PPC's South African operations to 26%. This transaction supported the conversion of our mining rights, and placed around 7% of the holding company's ownership with South African employees.

Three years ago, R100 million in shares from the 2008 BEE 1 transaction vested with employees, and the PPC Masakhane Employee Share Trust was created to allow all eligible employees to become shareholders. Since its launch, employee shareholders have received over 26 million shares and more than R23 million in dividends. Since September 2016, we have been working on a new transaction (BEE III), which will be communicated to shareholders in due course.

Employee participation and engagement

PPC has entrenched a culture of engagement based on the belief that positive results are easily achieved when all employees are engaged, empowered, accountable and given the opportunity to participate. Our latest climate survey confirmed that active involvement and communication across PPC is still very effective. We will continue embedding this culture as it assists in increasing engagement levels and ensures the views of our employees are heard.

Frequent involvement and communication processes across PPC include:

CEO town hall sessions

Monthly feedback and engagement sessions focusing on business performance, strategic issues and key focus areas. These sessions are facilitated by the chief executive officer and a recording is distributed throughout PPC. We aim to host at least two town hall sessions at different sites per annum. Employees can post questions or feedback on the PPC intranet.

Lunch-time talks

To keep our people abreast of developments in PPC and our business environment, we host lunch-time talks. Speakers cover topics of interest such as innovation, social licence to operate and personal potential. All sessions are recorded and distributed throughout PPC.

Ask Darryll

Ask Darryll is a portal on the PPC intranet that enables employees to submit questions to the CEO. Answers are posted on the webpage to the benefit all employees.

PPC Conversations

This monthly internal electronic newsletter is distributed to all employees. It features a different executive each month as well as a business update, events showcase, sponsorships, corporate social investment initiatives and interesting information.

Grey Matter

This six-monthly printed magazine complements the electronic newsletter. While PPC Conversations provides news updates, Grey Matter covers a range of topics such as industry developments, country profiles, leadership profiles, fast facts and interesting stories on what PPC employees do in their spare time.

Key leader summits

These regular team meetings at plant and site level are critical to our engaging culture. All appointed, elected and informal leaders participate to keep employees informed about plant, site or business performance, strategic initiatives, challenges and opportunities. These summits enable robust and constructive communication in an environment of mutual trust and cooperation, and the outcomes are communicated clearly and promptly to shop-floor level. Through this process, we maintain a common vision and direction throughout the company.

Invocoms (involvement in communication)

These structured team discussions, with a strong focus on performance and participation, take place at shop-floor level, weekly at sectional supervisory level, and monthly at departmental level. There are around 365 active and effective Invocoms operating across PPC. Through these sessions, we communicate elements of PPC's vision and objectives, evaluate team performance, analyse obstacles affecting performance, develop appropriate action plans, and ensure targets are achieved. Behavioural safety, educational topics and development are also discussed in these forums.

Climate survey

Two years ago, we implemented a new climate survey approach across PPC to assess the climate across the company and identify areas of improvement. The purpose of the survey is to engage with our employees to find ways to make PPC a great place to work, with a positive organisational climate and to determine the

level of improvement and progress made on issues identified in the previous survey.

The level of participation by employees in the 2016 survey was maintained at fair. All nine dimensions scored high, with the least favourable scoring 71% and an overall score of 79,5% (2015: 80%). The dimensions that scored most positive/favourable are clear vision and strategy, committed (engaged) to PPC, and values and code of conduct. A highlight of the 2016 survey is the level of understanding of PPC's vision and strategy, which moved from position six in 2015 to first in 2016. Despite the challenges faced in the past year, employees are still engaged, reflecting effective communication across the group. The least positive/favourable dimensions are leadership, career development, and remuneration and benefits.

A group action plan to address issues raised and areas for improvement was implemented in April 2017. This includes information sessions to empower line managers and staff. Progress on the action plan will be monitored centrally, while HR managers and site management will ensure appropriate focus at site level.

Housing initiative

The PPC employee housing support scheme was introduced in 2013 to help employees improve their living conditions over the next few years. Most eligible candidates do not qualify for a state-funded RDP house or a mortgage, and fall in the so-called gap market, making it virtually impossible for them to become homeowners without other support.

Initially, 472 South African employees enrolled in the housing programme, with almost half indicating they would like to buy their own home. To date:

- 78 employees have completed a housing transaction
- 11 are in the middle of their transaction
- 10 are in pre-transaction phase – awaiting loan approval or busy with planning and approval of their building project

Over 100 employees encountered credit-worthiness obstacles that prevented them from becoming homeowners. With the assistance of the programme, these employees began a process of debt management to restore their creditworthiness and enable them to become homeowners in time:

- 34 employees received creditworthiness support that included a combination of debt consolidation, removal of tainted credit records and budget support
- 74 employees began a savings programme to enhance housing affordability

Recognition

Our recognition programme is an integrated approach between country/site and group level. The aim is to recognise and motivate employees towards continuous improvement, innovation and a high-performing culture.

At the Diamond Awards ceremony in December 2016, our CEO, members of the executive team and team members from our operations across Africa paid tribute to the people who enabled PPC to raise the bar during the year. There are six categories in the prestigious Diamond Awards: rising talent, customer service excellence (internal and external), sales, production excellence, business support and safety. In addition, we celebrated the outstanding women of PPC with the Woman of the Year award and our managing directors honoured deserving candidates through special recognition awards. The CEO also donated R20 000 to the Frances Vorweg School for learners with cerebral palsy and learning disabilities in support of PPC's disability awareness campaign. (See page 33 for winners.)

Group workforce analysis

PPC's total workforce for 2017 is 3 580 (2016: 3 304). This includes our subsidiaries Pronto, Safika and 3Q (506*), our DRC operations (191*), Rwanda operations (248*), Botswana operations (138*) and Zimbabwe operations (428*).

* Not verified by Deloitte for assurance.

Employment equity status (SA operations only)

Our focus areas in 2018 for employment equity are at professional and senior management levels. We have good representation at the skilled, semi-skilled and learner levels.

	Male					Female					Foreign national			Total	Grand
Occupational levels	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	Male	Female	Total	SA	total
Top management (CEO)	0	0	0	1	1	0	0	0	0	0	0	0	0	1	1
Senior management	4	0	0	15	19	4	1	0	0	5	0	0	0	24	24
Professional	26	19	18	75	138	25	6	2	18	51	2	1	3	189	192
Skilled workers	298	170	3	205	676	122	67	17	75	281	7	4	11	957	968
Semi-skilled	452	143	0	5	600	79	26	3	2	110	0	0	0	710	710
Learners	8	2	0	0	10	1	0	0	0	1	0	0	0	11	11
Total permanent	788	334	21	301	1 444	231	100	22	95	448	9	5	14	1 892	1 906
Learners	21	13	0	3	37	14	4	0	1	19	1	0	1	56	57
Fixed-term contracts	33	32	1	4	70	24	6	0	5	35	1	0	1	105	106
Total fixed-term contracts	54	45	1	7	107	38	10	0	6	54	2	0	2	161	163
Grand total	842	379	22	308	1 551	269	110	22	101	502	11	5	16	2 053	2 069

Levels as defined by the Employment Equity Act of South Africa.

PEOPLE REVIEW continued

Expatriates per country

PPC SA permanent employees have been seconded to subsidiaries to replicate and embed the PPC way and transfer skills to localise roles in our international operations.

Country	Position	Years in position
Rwanda	CEO – CIMERWA	Four months
Rwanda	General manager	Seven months
Rwanda	Engineering manager	Two months
DRC	MD – PPC Barnet DRC	Seven months
DRC	Electrical foreman	One year

Workforce demographics

PPC's workforce is well balanced by age. Young and upcoming talent (under 30) represents 17% of the workforce, while the age group normally associated with greater career stability accounts for 62%. The risk of losing intellectual capital and institutional experience is well managed. Only 22% of our employees are aged 50 and above.

Workforce turnover

The nature and purpose of fixed-term contracts for employees is limited to relief-of-duty and short-term project requirements. These numbers are not a true reflection of avoidable exits, and we have therefore excluded them.

The annual turnover rate (calculated using GRI methods) for 2017 is 7% for South Africa; 6,14% comprises African, coloured or Indian employees and 1,78% female employees. This is one of our key improvement areas for the 2018 financial year: the development and appointment of black employees and especially black women. Turnover was 1% in Zimbabwe and 6% in Botswana operations. The turnover rate for our Rwanda operations was 3% and 4% for DRC operations*. We recorded an overall increase in turnover for the period.

* Not verified by Deloitte for assurance.

Permanent employee turnover for South Africa, Botswana and Zimbabwe

	Region										
	Botswana			South Africa			Zimbabwe				
Age group	Female	Male	Total	Female	Male	Total	Female	Male	Total	**Grand total 2017**	Grand total 2016
30 to 50	5,88%	8,45%	7,95%	7,52%	6,59%	6,83%	2,17%	0,44%	0,74%	**5,86%**	4,81%
Over 50	0,00%	3,33%	2,86%	10,71%	10,13%	10,21%	0,00%	1,19%	1,11%	**8,27%**	5,24%
Under 30	0,00%	0,00%	0,00%	5,13%	5,92%	5,65%	0,00%	0,00%	0,00%	**4,53%**	5,06%
Grand total	4,00%	6,42%	5,97%	7,51%	7,43%	7,45%	1,54%	0,58%	0,74%	**6,25%**	4,94%

The absenteeism rate has increased from 1,9% in 2016 to 2,2% in 2017, against an acceptable benchmark of below 3%.

	Female		Male		Total	
Region	**2017 %**	2016 %	**2017 %**	2016 %	**2017 %**	2016 %
Botswana	**1,9**	0,3	**0,8**	1,4	**1,0**	1,2
Zimbabwe	**1,3**	0,7	**1,1**	1,6	**1,1**	1,5
South Africa	**2,3**	2,1	**2,6**	2,0	**2,6**	2,0
Grand total (including sick leave)	**2,2**	1,8	**2,2**	1,9	**2,2**	1,9

Employee relations

In South Africa (excluding Pronto and Safika, which are not unionised), 29% of employees are members of a recognised trade union, 43% in Botswana and 57% in Zimbabwe. The recognised trade union representation for 3Q is 48%*, reflecting an overall decline. PPC supports freedom of association and the prohibition of unfair discrimination. Relevant agreements between the company and various unions are in place and well maintained. The employee relations climate is sound and no industrial incidents or major disputes were recorded during the reporting period.

* Not verified by Deloitte for assurance.

People development

Learning and development is an integral part of our HR strategic priorities. The continuous training and development of our employees ensures we maintain a strong skills pipeline and remain globally competitive. A revised learning and development strategy was introduced during the year, more closely aligned to our talent management strategy and approach. Individual development plans are compiled for employees requiring further development in current roles and to prepare eligible employees for career advancement. This process ensures team members are appropriately developed for the benefit of both the individual and the organisation.

Training hours recorded for 2017 vary significantly from the prior year due to the change in year-end. At 108 hours' training per employee, PPC is well above industry trends of 60 to 80 hours per employee.

Training hours per employment category: South Africa (excluding subsidiaries)

	2017			2016		
Region	**Total training hours**	**Total employees**	**Average hours/ employee**	Total training hours	Total employees	Average hours/ employee
Top management	**0**	**1**	**0**	0	1	0
Senior management	**63**	**24**	**3**	16	29	1
Professional	**1 656**	**195**	**8**	1 079	201	5
Skilled workers	**37 070**	**1 032**	**37**	21 664	1 013	21
Semi-skilled	**27 477**	**749**	**39**	13 193	790	17
Learners	**157 274**	**68**	**2 313**	65 127	78	835
Total	**223 541**	**2 069**	**108**	101 079	2 112	48

*Not verified by Deloitte for assurance.

Training hours per country: international

	2017			2016		
Country	**Total training hours**	**Total employees**	**Average hours/ employee**	Total training hours	Total employees	Average hours/ employee
Zimbabwe	**35 360**	**428**	**83**	6 700	470	19
Rwanda	**19 288**	**248**	**78**	25 275	252	100
Botswana	**2 547**	**138**	**18**	383	139	3
DRC	**6 795**	**191**	**36**	10 791	63	171

Training hours by race and gender: South Africa

Training hours for year	Female					Male					Grand total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	
2015	44 308	8 691	482	1 824	55 305	99 722	66 305	353	17 316	183 696	239 001
2016	20 124	2 403	59	526	23 112	45 772	26 541	77	5 577	77 967	101 079
2017	35 226	10 742	155	3 117	49 239	108 141	49 889	142	16 130	174 302	223 541

Training hours for women represents 23% of total, in line with 22% in 2016.

PEOPLE REVIEW continued

Skills development expenditure

Training expenditure as a percentage of wage bills:

	Annual wage bill	2017 %	2016 %
SA (ZAR)*	956 457 291	**4,8**	3,3
Zimbabwe (US$)	9 869 481	**1,2**	3,8
Botswana (pula)	23 111 903	**1,1**	0,2
Rwanda (Rwandan franc)	4 313 155 767	**3,1**	3,1
DRC (US$)	4 388 643	**5,6**	11,3

*SA wage bill and training expenditure includes Pronto and Safika and excludes 3Q.

PPC Technical Skills Academy (TSA)

TSA is a centralised learning and development facility in PPC offering a range of technical and operational programmes. It is a fully accredited learnership training provider and trade test centre under both the Mining Qualifications Authority (MQA) and Manufacturing, Engineering and Related Services Seta (Merseta). TSA retained its ISO 9001:2008 certification in the review period. The trade test facility at MQA is also accredited under the new National Artisan Moderation Board (NAMB).

Since 2002, TSA has successfully trained 240 engineering learners. Employed and unemployed learners enrolled for engineering learnerships at TSA in the review period are shown below:

Engineering learnerships by trade, race and gender

	African		Coloured		Indian		White		
Learnership programme	Male	Female	Male	Female	Male	Female	Male	Female	Total
Electrical	12	4	5	1	0	0	0	0	22
Fitter and turner	8	3	7	1	0	0	2	0	21
Plater-welder	5	1	5	0	0	0	1	0	12
Diesel mechanic	4	0	2	1	0	0	0	0	7
Total	29	8	19	3	0	0	3	0	62

Ten of 62 learners successfully completed their trade tests in the reporting period, and nine were employed either by PPC or other external organisations.

TSA is also accredited by the MQA for learnerships in Carbonate Materials Manufacturing Processes and Rock-breaking and Surface excavations. Both qualifications are registered with the South African Qualifications Authority (SAQA). Participation on these programmes is as follows:

- Carbonate materials manufacturing processes National Qualifications Framework (NQF) level 4 learnership: to date, 90 employees have successfully completed this programme
- Rock-breaking: surface excavations NQF level 3 learnership: to date, 52 employees have successfully completed the programme

Leadership development

Effective leadership is a cornerstone of any successful organisation. Over the years, PPC invested significantly in developing leadership talent to ensure we have a healthy pipeline of globally competitive leaders. In the reporting period, we evaluated the success of various leadership initiatives offered by PPC, resulting in the development and adoption of a new leadership model and development framework. In future, development initiatives across leadership levels will be aligned to establish a common leadership culture and style that underpins a multi-national, multi-cultural and high-performance company.

Graduate development programme

This programme was implemented in 2008 to give our bursars the opportunity to gain two years' relevant work experience. To date, 39 graduates have completed the programme, with 24 permanently employed at our operations. We currently have five graduates undergoing work integration training and development.

PPC bursary scheme

In support of PPC's employee value proposition, a bursary scheme was introduced for children of employees in 2016. The purpose is to invest in developing South African human capital,

particularly among the financially needy. The policy governing our bursary schemes focuses on scarce and critical skills as defined by the company to meet its longer-term employment equity targets and future operational needs, and to contribute to the national skills pool.

We currently fund 11 bursaries to children of employees and nine to community students.

Study assistance

To support our learning and development strategy, we annually invest in employees to further their qualifications. In 2017, 77 employees received study assistance in South Africa, including six postgraduate degrees. Five of these employees are completing MBA degrees. Study assistance is granted in line with approved individual development plans.

Employees receiving study assistance

African		Coloured		Indian		White		Total assisted
Male	Female	Male	Female	Male	Female	Male	Female	
26	24	6	6	2	1	7	5	57

SOCIAL REVIEW

EMPOWERED OWNERSHIP

Highlights

- PPC achieved a BBBEE level 4 (from level 8 under the 2007 codes of good practice) rating under the revised codes of good practice in December 2016, a year ahead of plan (April 2018)

Challenges

- Maintaining a favourable BBBEE rating
- Improving black ownership in line with the revised codes and mining charter targets

BBBEE status

Element points	Weighting	Points achieved	% score	Discounting applied
Overall BBBEE score	109	85,85		
Equity ownership	25	16,41	65,63	No
Management control	19	11,84	62,31	
Skills development	20	15,86	79,28	No
Enterprise and supplier development – preferential procurement	25	21,75	87,00	
Enterprise and supplier development	15	15,00	100	No
Socio-economic development	5	5,00	100	
BBBEE status level	Level 4			
Black ownership	13,79% black ownership; 6,01% black women ownership			
Empowering supplier	Yes			
BEE procurement recognition	100%			

Empowered ownership

After completing PPC's R4 billion rights offer on 16 September 2016, the group's BBBEE ownership credentials declined. The rights offer raised capital to strengthen our balance sheet and fund expansionary growth projects, but as the number of issued shares rose from 625 million to 1 625 million, the company's empowerment credentials were significantly diluted.

Following maturity of the 2008 BBBEE transaction, strategic business partners (SBPs) and community service groups (CSGs) subscribed for 15,6 million shares under compulsory subscription agreements, and the company received R1 billion on 15 December 2016. Simultaneously, PPC bought back and cancelled 48,6 million shares at 10 cents each. This transaction reduced net stated capital by 33 million shares to 1 591 million shares, further reducing our empowerment credentials.

Work to design and implement a new BBBEE (BEE III) transaction is progressing well and will be communicated to shareholders in the second half of calendar 2017.

SOCIO-ECONOMIC DEVELOPMENT

SOCIAL AND LABOUR PLANS

Highlights

- Daniëlskuil Clinic extension and mobile healthcare facility

Lowlights

- Sustainability of social and labour plan projects
- Approval of new social and labour plans

Daniëlskuil Clinic extension and mobile healthcare facility

Daniëlskuil Clinic in the Northern Cape is a provincial primary healthcare facility, providing HIV and TB-related treatment, care and support services. It also provides chronic monitoring and proactive healthcare programmes for the improved health and well-being of families in the area. The clinic has faced various challenges, including retention of healthcare professionals, and delivering services to rural areas and outlying communities of Daniëlskuil. PPC Lime, Idwala Lime and Finsch Diamond Mines took a collaborative approach to community development and jointly funded a three-phased project to enhance health infrastructure in the Kgatelopele Municipality.

Phase 1 started in 2012 when a mobile clinic valued at R600 000 was purchased to enable the municipality to deliver health services to the outlying communities of Daniëlskuil. This vehicle also delivers weekly health services to Lime Acres and Tlhakalatlhou (ward 1). A professional nurse and, if available, a nursing assistant run the mobile clinic to assist chronically ill patients as well as basic healthcare patients.

Accommodation has always been a challenge for the Department of Health (DOH) to retain professional staff. A house closer to the clinic was revamped and converted at a cost of R450 000 into two two-bedroom flats to accommodate the health professionals in Daniëlskuil.

The project also included extending the clinic to provide a pharmacy. Previously, the clinic could only dispense basic chronic medication via the nurses. This extension turns the facility into an accredited clinic for which the DOH can appoint a full-time pharmacist – allowing the nurses to concentrate more on their own work. The pharmacy is fully equipped with the necessary safety and security areas to ensure safe and smooth handling, loading and storing for medicines. The clinic also received new medical equipment to the value of R30 000 as part of the donation. This project, envisaged to reach over 3 000 community members, was completed in March 2017 and proudly presented to the DOH and acting mayor of Kgatelopele Municipality.

Value creation

Impact on value

PPC will always endeavour to contribute meaningfully to the most pertinent basic needs of our communities – even in tough economic times. Equally, we are learning to do more with less and work harder to ensure our initiatives in the communities last. Education remains a major focus.

Challenges

- Sustainability of social and labour plan projects due to the slow delivery of municipal services to communities
- Approval of the new social and labour plans – although documents submitted in 2014 have not been approved, we have continued supporting our communities in line with our corporate values. Funding for new projects proposed to the Department of Mineral Resources (DMR) will be aligned to each mine's affordability

Mitigating action

We have identified and prioritised stakeholder issues and gaps in our social and labour plan implementation and will address these to ensure harmonious relations with our communities and DMR. We are also engaging our stakeholders on the economic dynamics that affect our business profitability as we identify new projects.

SOCIO-ECONOMIC DEVELOPMENT continued

CORPORATE SOCIAL INVESTMENT

Highlights

- Over R10 million spent on community development across the group
- Refined corporate social investment (CSI) strategy implemented
- Focus on education at schools in labour-sending areas in South Africa
- 10 500 learners across 12 schools benefiting from mobile science lab project
- Supporting infrastructure development across countries where we operate
- Extended support to six disability centres across the group
- Community cooperative set up for supplier development in Rwanda

Lowlights

- No community projects identified in Ethiopia as yet
- No social stakeholder return on investment (SROI) calculated to date

The importance of engaging and collaborating with communities in which we operate is guided by our corporate citizenship principles. We continue to play a meaningful role in community development across our operating areas.

Our CSI strategy is underpinned by the philosophy of shared value. It allows for sustainable growth in communities while making business sense for key stakeholders in those communities, government and the business.

Our community investments over the review period were aligned to the United Nations' sustainable development goals, our business objectives and, most importantly, community needs.

By integrating stakeholders' needs, our social investment responsibilities become effective drivers of socio-economic development in countries where we operate. Collectively, our initiatives draw on the power of capital to advance business models and entrepreneurs that intentionally create and combine social, environmental and financial value.

Science laboratory project (South Africa)

Our priority is to enable public secondary schools to produce growing numbers of black learners with quality maths and physical science results. In 2016, we spent R2,6 million on portable science laboratories at 12 schools across eight provinces and introduced information technology into the classrooms.

These laboratories support the South African curriculum and help to address some of the socio-economic needs of public schools in labour-sending areas. We also provided associated software to enhance the teaching and learning experience.

Our support to learners extended to psychometric testing to assist with subject choices and career decisions, particularly in senior grades.

Learners from 12 schools in South Africa benefited from psychometric testing to assist with subject choices

Cement pot-making in Diepsloot (South Africa)

Our support for the Diepsloot skills training centre has introduced local unemployed youth to a programme teaching cement pot-making. They are now completing business development training and will soon sell these pots commercially.

Ulula Ash science lab project identifies engineering learners

A pilot project at the Kriel and Sibongamandla high schools under the Ulula Ash (a PPC subsidiary) mobile science laboratory initiative identified learners with strong engineering aptitude. These learners completed an MQA-accredited skills development course in basic engineering at PPC's TSA where they gained valuable exposure to the engineering world with the view that they join our learnership programme in the near future.

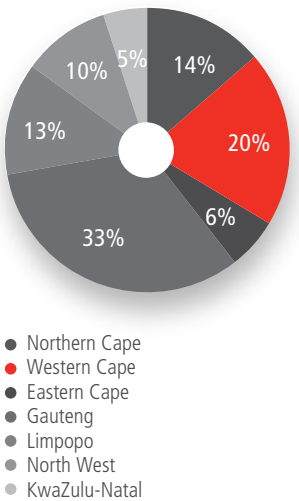
Our community engineering project is identifying future engineers

Employee volunteerism programme

The spirit of employee volunteerism remains well entrenched across our business. Through this programme PPC matched the contributions of 11 employees involved in social initiatives across South Africa. We have also supported non-governmental organisations (NGOs) where our team members volunteer through the community change igniters programme in addition to direct funding from PPC.

Other projects we support in South Africa include Crystal House, Thandulwazi maths and science initiative, Time for Change, Kanye skills training, Learn to Earn, Time for Change, Growing up Africa and Kwa Thema stimulation centre.

CSI SPEND PER PROVINCE IN SOUTH AFRICA



Rwanda

Tailor training at CIMERWA

CIMERWA identified the need to create employment opportunities around its factory in Rwanda. A project to train and empower local community members to start their own businesses was initiated in 2015.

Following a needs analysis in collaboration with the local community, CIMERWA offered support in the form of facilities to house the business, and train staff in tailoring and business management. Of the initial intake of 175 members, 90 graduated to start a registered cooperative, Tailor Training Cooperative of Muganza.

CIMERWA continues to support the project by providing a workshop and office space as well as a supplier development initiative by purchasing protective clothing from the cooperative. The next phase is to ensure business sustainability beyond CIMERWA.

Cooperative members manufacturing overalls for CIMERWA

Botswana

Tlamelong Rehabilitation Centre

PPC's ongoing support in 2017 has ensured that the project is sustainable. This centre supports people with disabilities, training beneficiaries in horticultural skills and house-building to make them self-reliant. PPC Botswana's support is aligned to one of the country's Vision 2016 strategic pillars: a compassionate, just and caring nation.

DRC

In DRC we continue to support a number of initiatives:

- Malaria vector control programme: regular spraying and fogging in surrounding villages
- Providing water and sanitation to local communities including Malanga school
- Established skills training centre
- Assisting local communities with ambulance services

2018 and beyond

Our focus for the year ahead remains on sustainable projects to enhance our SROI. We are pleased that the key strategic initiatives implemented over the past year have been successfully executed. Now that the strategy roll out is complete, we will concentrate on the process of monitoring and evaluating their impact to ensure we make a meaningful contribution to the broader society in which we operate.

SOCIO-ECONOMIC DEVELOPMENT continued

Procurement

The weighted BBBEE procurement spend, under the dti's revised codes of good practice, was R4,8 billion. This constitutes 85,4% of total measured procurement spend. Our spend with suppliers in the different BBBEE levels is shown below:

Weighted BEE procurement level (March 2017)

BBBEE level	Value (excluding VAT) R	Recognition %	Weighted BEE procurement R	%
Level 1	286 914 183	135	387 334 148	5,12
Level 2	1 743 767 413	125	2 179 709 266	31,13
Level 3	969 212 580	110	1 066 133 838	17,30
Level 4	857 559 570	100	857 559 570	15,31
Level 5	218 274 560	80	174 619 648	3,90
Level 6	97 804 548	60	58 682 729	1,75
Level 7	149 795 908	50	48 902 274	2,67
Level 8	111 869 361	10	11 186 936	2,00
Non-compliant	1 166 782 409	0	–	20,83
Total	**5 601 980 535**		**4 784 128 411**	**100**

Highlight: In the FY2016 verification audit, procurement at PPC exceeded the revised dti compliance target of 80% and met the definition of a level 3 contributor to BBBEE for enterprise and supplier development, specifically preferential procurement.

In terms of the 2014 mining charter, PPC exceeded targets, except for multinational contributions.

Spend category	Target 2016 %	Actual 2016 %	Actual 2015 %	Actual 2014 %
Capital goods	40	47	43	43
Consumables	50	66	61	61
Services	70	75	71	70

Supplier assessments – societal impact in our areas of operation

We have made our procurement platform more accessible to potential suppliers. Our educational drive since 2014 has yielded positive results in the supply base in terms of understanding PPC's requirements. These requirements have now been incorporated into all commercial agreements. PPC's procurement department now holds suppliers accountable for their transformation objectives, contributing to the broader social compact. By prioritising procurement from black-owned and black women-owned companies, we are promoting entrepreneurship and enterprise development in local communities at regional, provincial and national level, aligned to our social and labour as well as local economic development plans.

PPC will continue to implement and manage enterprise and supplier development programmes aimed at suitably qualified existing and potential black and black women-owned suppliers, and to align with government initiatives, eg black industrialists programme. These programmes will be commercially oriented and differentiated from other socio-economic development programmes. Throughout the enterprise and supplier development programme, the procurement team's primary task of identifying and selecting quality, reliable and cost-effective suppliers will remain unchanged. Annual performance assessments will monitor the impact of these programmes on our areas of operation.

Supplier assessments

PPC annually assesses its key suppliers using a structured questionnaire to measure the health of the supplier's business in the following areas:

- Commercial
- Engineering and technical
- Environmental
- Finance
- Preferential procurement
- Health and safety
- Human resources
- Quality and business continuity

This helps PPC mitigate risk and ensures that, in addition to price and quality, the overall value propositions from suppliers are realised.

Supplier engagement

To ensure continuity in delivery, pricing and quality across the value chain, PPC continues to evaluate the performance and progress of its supply base in implementing transformation programmes.

Aspirant suppliers that do not meet our business requirements are profiled for potential supplier development and are encouraged to engage PPC through our web-based procurement portal (www.ppcprocure.co.za), which is also a tool to assess the supplier's compliance to labour and SARS requirements and human rights practices, among others.

Outlook

The supplier development programme will be key to capacitating emerging and medium-sized suppliers in PPC's value chain and ensuring PPC continues to contribute to economic development.

AWARDS AND ACCOLADES

PPC Botswana wins PMR award

PPC Botswana won the **PMR Diamond Arrow** for the fourth time in 2016.

Forbes Pioneer Award awarded to Tryphosa Ramano (CFO, PPC)

Tryphosa Ramano received the **Forbes Pioneer Award** for her **contribution** in the male-dominated **construction and industry sector**

Mica trade show award – PPC received a top 10 supplier award out of 320 listed suppliers

PPC Imaginarium recognised for its contribution to the arts

Our **PPC Imaginarium** received a **strategic project award** from **Business and Arts South Africa (BASA)**, recognising outstanding initiative and best use of a project that is an **integral part of the business strategy**

Build It supplier of the year – PPC awarded second place among over 250 entrants

Build It regional supplier of the year award – IDM awarded first place

ENVIRONMENTAL REVIEW

Highlights

- Converted Dwaalboom kiln 1 electrostatic precipitator (ESP) to bag filter, reducing dust emissions to below 2020 minimum standards
- PPC Hercules partnered with City of Tshwane's urban forestry programme to plant indigenous trees and fruit trees to reduce climate change impacts
- Successfully classified waste streams at South African sites to ensure disposal complies with relevant regulations
- Pilot energy management system implemented at De Hoek to improve energy efficiency in collaboration with National Cleaner Production Centre
- De Hoek achieved thermal substitution rate (TSR) of 10% of fossil fuel (coal) by coprocessing waste tyres
- In Zimbabwe, Colleen Bawn and Bulawayo factories achieved ISO 14001 certification
- Energy monitoring system installed at Bulawayo factory for accurate benchmarking and achieved energy savings of 16%
- CIMERWA (Rwanda) migrated from diesel generators to power from the grid, including hydro-electric
- CIMERWA (Rwanda) replaced 20% of coal with alternative energy sources

Lowlights

- Diesel spillage at Lime Acres triggered section 30 incident report under National Environmental Management Act
- Increased NO_x and specific SO_2 emissions at De Hoek and Dwaalboom due to operational challenges

PPC environmental vision and policy

PPC believes in operating a sustainable business and is committed to reducing the environmental impact of its operations while continually improving environmental performance. Sustainability forms an integral part of PPC's business strategy and the company strives to minimise or eliminate negative impacts and maximise positive impacts.

PPC encourages all its customers, suppliers and business associates to meet similar environmental goals.

PPC is committed to:

- Integrating environmental management into management practices throughout the company
- Implementing environmental best practices to reduce adverse impacts of its operations and, where practical, prevent pollution
- Achieving continual environmental improvement by identifying significant environmental aspects and setting objectives and targets while reviewing environmental performance in the workplace and surrounding environment
- Ensuring compliance with environmental legislation and other requirements to which the organisation subscribes
- Responsible stewardship by managing natural resources through efficient energy strategies and implementing waste reduction and recycling where possible
- Achieving effective and transparent communication with stakeholders through internal communiqués and environmental management stakeholder forums
- Training and educating employees in environmental responsibilities and building capacity among stakeholders to identify, report and act on opportunities to minimise environmental impacts
- Manage land through concurrent rehabilitation and maintaining biodiversity

Employees and contractors working at PPC operations play a fundamental role in achieving environmental objectives through:

- Taking ownership of, and participating in, environmental management programmes and initiatives
- Integrating environmental concerns into everyday practice

Corporate energy management and strategic intent

PPC revised its strategic intent for energy management in line with the following key pillars:

Implementing an effective and optimum energy management system that will:	Driving continuous improvement of thermal and electrical energy footprint by:	Continuously investigate and, subject to viability, assess potential entry into energy-linked growth industries with key focus on:
– Focus on monitoring and evaluating all energy-related activities – Ensure the credibility, reliability and usefulness of energy data to support prioritising initiatives and improve decision-making – Ensure all personnel are aware of the nature, meaning and value of an effective energy management system throughout the group – Continually identify energy-saving options and implement value-adding opportunities	– Implementing optimum alternative thermal fuels, site by site, and developing their use to maximum viable levels while meeting emission and product quality requirements, and optimising cost – Investigating (and implementing where viable) the potential to produce electricity for own use, using both renewable and non-renewable resources	– Waste remediation, particularly tyres and landfill coprocessing – Electricity production to scale, initially focusing on our own industry, which may grow from self-sufficiency to profitable energy operations at local level

Significant sustainability issues

Based on internal and external factors that affect the company as well as PPC's legal obligations, significant environmental issues for FY2017 included:

COMPLIANCE

Challenging and rapidly changing environmental framework in South Africa and new geographic areas into which we are expanding.

Response
PPC is committed to environmental legal compliance and responding to non-conformance in the business appropriately. We strive to ensure that proposed legislation promotes sustainable business practices by actively participating in legislative reform processes.

OPERATIONAL ENERGY

The cement industry needs significant thermal and electrical energy. Given power challenges in some operating areas (eg price, quality and sustainable supply), the use and optimisation of both energy types is key to business success.

Response
Projects are under way to improve electrical and thermal efficiency, and evaluate alternative forms of energy supply. These include an alternative fuels coprocessing programme aimed at reducing our dependence on fossil fuels. PPC is currently rolling out energy management systems across the group, starting with De Hoek as the pilot site.

RESOURCE CONSERVATION

Alternative fuels as well as resources programme and rehabilitation.

Response
PPC is fully aligned to the Cement Sustainability Initiative and objectives of the white paper on integrated pollution and waste management. We will continue to identify alternative raw materials and fuels to replace non-renewable resources where possible. De Hoek achieved TSR of 10% of fossil fuel (coal) by coprocessing waste tyres. This programme is being extended to PPC's operations.

Land rehabilitation remains a priority to restore disturbed areas. PPC has developed a policy to govern rehabilitation at all operations.

AIR QUALITY (dust, SO_x, NO_x and carbon)

Given the chemistry and energy requirements of the cement-manufacturing process, significant quantities of carbon dioxide (CO_2) are generated.

The proposed implementation of a carbon tax will have financial implications for South African industry as a whole.

Response
PPC is committed to reducing CO_2 emissions, and has made significant progress in the past decade. We continue to improve energy and process efficiencies to reduce CO_2 emissions and our carbon footprint, and lessen the contribution to climate change.

PPC is actively participating in consultative processes with government to ensure decision-makers have a clear perspective on issues, including the potential implications of carbon tax, carbon budgets and desired emission reduction outcomes.

WATER MANAGEMENT

Water scarcity requires efficient and responsible use of water resources in southern Africa.

Response
PPC is implementing comprehensive water management programmes aligned to its integrated water use licence, and environmental and social impact assessment commitments. Opportunities for water reuse are being investigated and implemented. The impact on readymix concrete, which consumes some 300ℓ/m³, is an emerging risk.

ENVIRONMENTAL REVIEW continued

Our commitment to environmental management systems

As part of our policy commitment, PPC operations use environmental management systems to identify operational risks and manage these to ensure continual improvement and environmental compliance. All our major facilities have environmental management system certification, with the exception of CIMERWA, Rwanda, and PPC Barnet DRC. PPC has developed a management framework that responds to the nature and scale of our various operations. The aggregates facilities are affiliated under the About Face programme of the Aggregate and Sand Producers Association of South Africa, which follows the ISO 14001 framework. PPC Zimbabwe has worked tirelessly to align its management practices with group requirements, and has now received ISO 14001 certification.

Compliance

Changing legislative framework and carbon tax

The global regulatory environment on climate-change mitigation is evolving and, in South Africa, the government is developing carbon tax legislation, allocating carbon budgets and implementing other measures in an attempt to transition to a lower carbon economy.

Currently, the carbon budgeting process is voluntary and PPC has agreed to participate. After its carbon budget was issued for the first phase between January 2016 and December 2020, PPC calculated its carbon tax burden based on the draft bill at an estimated R90 million annually.

Under the National Environmental Management Act (NEMA), financial provisions for rehabilitation and closure for prospecting, exploration, mining or production operations were published in November 2015 and amended in October 2016. These regulations have significant financial implications for the mining industry. PPC is engaging the Department of Environmental Affairs (DEA) through the Association of Cementitious Material Producers (ACMP) and Chamber of Mines to address challenges in implementing these regulations.

Our international operations manage environmental compliance in line with international standards in areas where local legislation is not yet fully developed.

Compliance management

PPC is committed to environmental compliance across the group. This involves a combination of targeted internal audits, legal registers, external legal auditing and external permit compliance audits. Our environmental management systems such as ISO 14001 help implement and monitor compliance. To track and maintain environmental compliance, PPC has developed legal registers linked to environmental management systems. These are audited every two years, and are being extended to other international operations.

Some of PPC's international operations are managed against the requirements of the International Finance Corporation and other lender institutions. These operations are focused on implementing their environmental and social commitments.

There were no formal compliance inspections at PPC SA operations in the reporting period. A number of ad hoc visits were made by provincial and local authorities to the De Hoek, Riebeeck, Beestekraal and Mooiplaas sites. Similar inspections were conducted at our international operations of Colleen Bawn and Bulawayo in Zimbabwe and DRC.

During the year, a diesel filling control system malfunctioned at PPC Lime, resulting in a significant spillage that could cause land and water pollution (see panel).

Diesel spillage and response at PPC Lime, Lime Acres

A malfunction of the diesel filling control system at the end of a shift resulted in a major diesel spillage in May 2016. On discovery, emergency response was initiated by immediately containing the spillage to prevent further soil contamination using lime-based materials and spill-containing products. Relevant authorities (the departments of water and sanitation, mineral resources, environmental affairs and provincial department of environment and nature conservation) were informed of the incident. They conducted site visits and provided remedial options and recommendations.

Onsite bioremediation was the most suitable solution, as possible environmental impacts included soil and water pollution based on the depth of seepage. These impacts were lessened by the successful bioremediation process and distance from direct water bodies.

Soil samples analysed after bioremediation indicated that contaminated materials conformed to the acceptable soil screening values against national norms and standards for the remediation of contaminated land and soil quality as per NEMA: Waste Act 59, 2008.

This incident tested the effectiveness of controls at the diesel bay dispensing system, emergency response, and technical ability for improvements. The diesel filling control system was replaced, and structural improvements made to prevent recurrences.

Energy

Energy consumption and performance

Absolute energy consumption over the 12-month period compared to prior periods for PPC Cement SA and Lime are shown below:

Energy (terajoules)	12 months to March 2017	6 months to March 2016	12 months to Sept 2015
Direct (thermal/coal)	**17 747**	8 464	19 213
Indirect (electrical)	**1 948**	969	2 203
Total	**19 195**	9 433	21 416

Direct energy consumption reduced by 10% and indirect energy consumption by 12% compared to FY2015. Due to the change in reporting periods, FY2016 reflects a six-month aggregated figure that does not account for full-year seasonal energy consumption patterns. Initiatives to reduce the energy footprint include:

- Implementing our mega plant strategy – reducing the use of less efficient plant and maximising the use of larger, more efficient plant. Commissioning kiln 9 at the Slurry operation in 2018 will enhance this initiative
- Continual implementation of power-planning protocols, ie using equipment outside peak electricity demand periods
- Sustained focus on thermal energy consumption of our plants and implementing initiatives for alternative energy sources

PPC's specific energy consumption is a function of product mix and overall use of our capacity. As clinker demand for the period was higher than the comparable period of FY2015, we had to use some inefficient clinker capacity, so specific thermal energy consumption for our South African operations remained flat. More flexibility in our cement milling capacity, combined with higher mill outputs, allowed us to decrease specific electrical consumption by 8% compared to FY2015.

PPC is implementing an energy management system, in collaboration with the National Cleaner Production Centre. This began in the third quarter of the review period, with the aim of sustainably reducing specific and overall energy consumption and engaging employees at all levels. Implementation is being piloted at the De Hoek site and will be rolled out to other SA facilities in the final quarter of calendar 2017.

Our alternate fuel use programme also gained traction in the review period, after successfully adding waste tyres as a fuel source at one of our key SA facilities, De Hoek. Given that significant capital investment per plant is required, it is important to achieve solid thermal fuel substitution rates. We are pleased to report that the capital investment, combined with process optimisation, resulted in the substitution rate rising from under 5% to 10% in the final quarter.

Key points on energy management from PPC international operations include:

- CIMERWA has migrated from local power generation with diesel generators to power from the national grid. The quality of supply has, however, been challenging, and we are engaging with local power authorities. An extensive measurement protocol has quantified power quality and identified improvement opportunities
- The CIMERWA energy monitoring system was aligned to comply with standards of measurements and verification of power. This formed the basis for resolving metering and billing discrepancies with the Rwanda power utility
- Peat use at CIMERWA operations is important in reducing the cost of imported coal. After considerable work, the substitution of coal with peat has risen from under 5% to current levels of 20%
- Implementation of an energy monitoring system at the Bulawayo milling factory in the third quarter has assisted the factory with accurate benchmarking and energy savings from greater awareness. Between installation and February 2017, the factory has saved 16% of the maximum demand (kVA) or a cumulative US$2 771. This system will form the basis of the energy management system roll-out to the rest of our international operations

ENVIRONMENTAL REVIEW continued

Carbon footprint

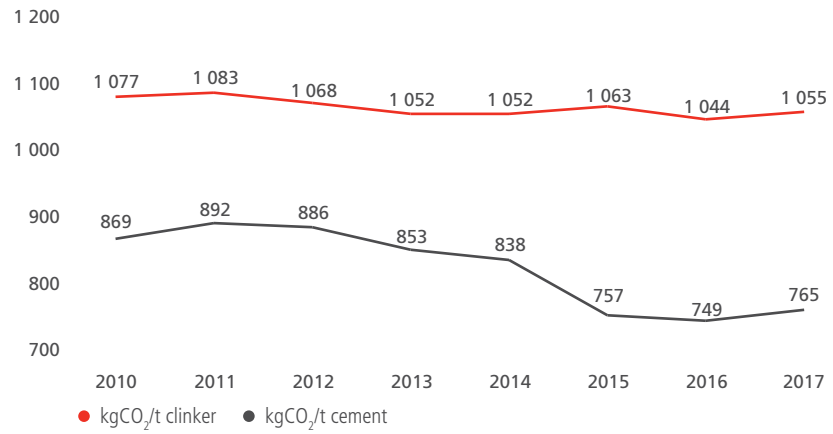
The scope of carbon footprint reporting remains the same as the previous period while we expand the scope to the rest of our businesses.

Absolute carbon emissions for business units with a material impact on PPC's carbon footprint are shown below:

CO_2 emissions (metric tons)	Total	Direct	Indirect
Cement, lime and dolomite	4 436 775	3 890 236	546 539
Cement SA	3 491 431	3 010 143	481 288
Cement Zimbabwe	459 431	396 494	62 936

Carbon emission intensity for the SA cement operations is reflected below.

CEMENT SOUTH AFRICA



As results for the six-month FY2016 do not fully account for seasonal effects, comparing the current period with the year to October 2015 is more meaningful. Given that higher clinker demand relative to FY2015 required the use of some inefficient kiln capacity, CO_2 emissions per tonne clinker essentially remained flat. Similarly, emissions of CO_2 per tonne cement were largely flat, reflecting product mix proportions.

Our ability to incrementally decrease our carbon footprint, albeit slowly, reflects several focused initiatives:

- Improved monitoring systems to enhance visibility of emissions and associated energy use
- Decreasing the clinker factor
- Further improvement in operational efficiencies
- Introducing alternative fuels as appropriate

Efficient and responsible use of water resources

PPC operates in regions that differ in terms of availability, supply and scarcity of water resources. Accordingly, we reviewed our water management best practice to align with our changing operating environment. The underlying principles of best practice entail monitoring quantity, quality, management of stormwater, reusing treated sewage water where feasible, adhering to water use licence conditions or permits, and securing authorisations.

Municipal water consumption (m^3)

2017	2016	2015
846 854	390 131	766 592

Compared to calendar 2015, water consumption increased by 9,5% after the start-up of the Riebeeck kilns to meet clinker demand in the region.

Water use licences

Over 90% of PPC's operations have secured their water use licences and related authorisations. PPC engaged the Department of Water and Sanitation (DWS) on outstanding information for the Dwaalboom application, and all required information was submitted. The issuance of this licence is imminent. Our Lime, Riebeeck and Slurry operations have applied for amendment of their water licences because the conditions are unduly onerous.

PPC Zimbabwe's Colleen Bawn and Bulawayo factories achieve ISO 14001 certification

Reflecting our ongoing commitment to sustainability and the environment, PPC Zimbabwe's Colleen Bawn and Bulawayo factories have achieved ISO 14001 certification. This is a primary requirement for competing favourably and growing the business – and an independent verification of its commitment to environmental management.

PPC Zimbabwe's journey to certification required commitment across the organisation. Although internal systems were followed previously, these were not verified by an independent certification body. The ISO certification followed an intensive third-party audit by the Standards Association of Zimbabwe in which auditors visited all business units to ensure international standards were met.

To ensure that PPC Zimbabwe remains ISO certified, it will be externally audited each year. In addition, the site will conduct six-monthly internal audits to identify opportunities to improve its management systems.

Air quality management

Point sources

PPC's cement and lime manufacturing facilities release emissions to air such as dust, sulphur dioxide (SO_2), and oxides of nitrogen (NO_x). In our South African operations, all point sources are monitored continuously for these emissions, except Port Elizabeth where kiln gases are monitored with a portable analyser. Given the unavailability of service providers and long turnaround times to repair monitoring equipment, some of PPC's continuous emissions monitoring was compromised in this reporting period.

The performance of our South African cement kilns, including PPC Lime, is monitored year on year in line with the minimum emission standards compliance programme. Group performance for the year is reflected below:

	Dust			NO_x			SO_2		
	12 months to March 2017	6 months to March 2016	12 months to Sept 2015	**12 months to March 2017**	6 months to March 2016	12 months to Sept 2015	**12 months to March 2017**	6 months to March 2016	12 months to Sept 2015
Metric tonnes	**660**	371	930	**11 436**	4 745	11 399	**698**	409	250

PPC recorded a 41% improvement in dust emissions relative to FY2015 by replacing a number of electrostatic precipitators with bag filters. Our NO_x emissions are flat on the comparable FY2015 period. Our absolute SO_2 emissions have increased due to higher market demand in the Western Cape requiring higher clinker production levels, the pyritic nature of the orebody currently being mined at De Hoek and the existing Riebeeck orebody, as well as the introduction of tyres as an alternative fuel at De Hoek. Process investigations have been launched with specialist companies to limit both NO_x and SO_2 emissions. Given inherent technical challenges in the orebody and tyre coprocessing, PPC has submitted a postponement application for De Hoek and Riebeeck SO_2 emissions.

Postponement to compliance timeframes

As part of PPC's postponement of compliance timeframes, the Port Elizabeth operation was granted authorisation to upgrade the kiln line and finishing mill to meet 2020 minimum emission standards. The finishing mill upgrade was completed in July 2016.

The DEA granted PPC Dwaalboom a postponement of compliance with minimum emissions standards in terms of section 21 of the NEM: Air Quality Act for kiln 1 main stack dust until 31 December 2016. We subsequently completed the conversion of Dwaalboom kiln 1 from an electrostatic precipitator to a baghouse at a cost of R69 million, resulting in dust emissions of less than 30mg/Nm^3 well ahead of the 2020 compliance date.

The SK9 project is on schedule. This includes upgrading the existing kiln 8 electrostatic precipitator to a bag filter. The environmental authorisation for this part of the project is under way. Once the kiln 8/9 project is complete, PPC will have met over 90% of its upgrade commitments.

Resource conservation

PPC's mine rehabilitation remains on target, with 95% of disturbed land rehabilitated in line with policy requirements. Most of our mining areas allow for concurrent rehabilitation which keeps the overall footprint small. Areas with a high agricultural potential are leased to local farmers for commercial farming. PPC is reviewing its environmental management programmes to align with current financial provision regulations due in February 2019.

ENVIRONMENTAL REVIEW continued

PPC is fully aligned to the Cement Sustainability Initiative and the objectives of the white paper on integrated pollution and waste management to reduce the amount of waste that lands in landfills. We will continue to identify alternative raw materials and fuels to replace non-renewable resources where possible.

De Hoek tyre coprocessing

Following the completion of phase 1 of the tyre coprocessing project, where a thermal substitution rate of less than 5% was attained through a manual feed system, PPC De Hoek began phase 2 by adding a total automated feed system. This enabled tyre transportation via an incline conveyor weigh-feeder mechanism to the kiln preheater building. An induced draft fan impeller has been replaced to increase oxygen supply to the preheater for effective combustion. With specialised input from a consulting firm, the thermal replacement of coal was increased to 10% by using tyres, which is a renewable source. The coprocessing project will be extended to De Hoek kiln 5 in calendar year 2017.

Waste management

PPC successfully classified all waste streams across its South African sites by the regulatory deadline of August 2016 (regulation GN R634 aims to ensure that responsible waste management practices are adhered to). Safety datasheets were generated to ensure that health, safety and environmental information is available for end users of PPC products.

Stakeholder engagement

The South African Association of Cementitious Material Producers plays a pivotal role in engaging with the authorities and ensures cement industry issues are addressed through legislative reform processes. This covers a broad spectrum such as carbon tax, desired emission reduction outcomes, carbon budgets, greenhouse gas emissions reporting, pollution prevention plans and rehabilitation financial provisioning.

PPC is committed to interacting with environmental stakeholders through various channels of communication. We meet our stakeholders at least twice a year to update them on emissions, water and address any issues of concern. Regulatory processes such as environmental impact assessments and environmental management plans involve engaging with local communities as well as interested and affected stakeholders.

This model has been effectively implemented across the rest of the African businesses.

Focus areas for 2018

- Implement greenhouse gas (GHG) emission reporting systems as per national GHG regulations
- ISO 14001:2015 environmental management systems implementation
- Obtain authorisation for Slurry kiln 8 bag filter upgrade
- Finalise financial provision alignment as per new NEMA regulations
- Implement energy management systems across all South African operations
- Expand alternative fuels programme

GROUP STAKEHOLDER ENGAGEMENT

Stakeholder group					
Customers					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
To remain competitive Determine customer satisfaction Obtain insights on new requirements, trends and competition Retain customers Attract new customers Maintain and build strong brand affinity and preference, ensuring PPC is the cement brand of choice Identify opportunities for growth and creating value	Retailers Blenders Concrete product manufacturers (formal and informal) Readymix concrete suppliers Building and civil contractors Shoppers	Independent customer satisfaction surveys Social, online and mobile media Interaction in store during brand promotions Site and store visits by sales team Industry conferences and retail events Technical support hotline and training events Strategic sessions with customer senior management	Value for money	Positioned IDM as a value-for-money offering in the PPC range	Continue implementing a branding strategy that covers all PPC products under our corporate brand Launch innovative products and solutions that will add value to our customers' businesses A dedicated product support department ensures focused technical support and training Increase brand equity through marketing support for PPC's materials Integrated rebate system for cement portfolio (PPC and IDM) to be refined The strong PPC brand will be leveraged across our product portfolio, making it easier to cross-sell Newly acquired business products – 3Q Mahuma – will be PPC endorsed Selling a materials package to the construction industry – cement, aggregates and readymix
			Highly price-sensitive market	Flexible pricing mechanism responding to market nuances, selective by area, segment and product	
			More technical support in construction market	Restructured and increased the size of PPC product support department	
			Broader product offering and solutions	Launched precast product – Surecast Launched P&L house brand to satisfy specific customer needs	
			The need to control/manage costs is key	Reduce cost of manufacture and optimise delivery	
			Justifying growing brand premium as price differential created by new competitors increases	Introduced a revenue growth incentive for PPC and IDM products	

GROUP STAKEHOLDER ENGAGEMENT continued

Employees					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Employees are integral to our performance and the sustainability of our operations To drive strong health and safety culture	Employees from: Head office Factories and sites Safika Cement Pronto Readymix 3Q Mahuma Concrete International operations	Leadership and team meetings, special information sessions Key leader summits Intranet, newsletters, presentations, briefings and One Vision video CEO town hall sessions, lunch-time talks and Ask Darryll intranet portal Employment equity and skills development committees Annual functions (Diamond Awards, site awards) Management roadshows/live internet broadcast Internal staff surveys, climate surveys Factory safety and environmental meetings Union committee meetings, Women's Forum, group meetings Monthly health and safety representative meetings	Uncertainties due to business challenges	Maintain communication and engagement on all business matters	Implement leadership development framework to align to new leadership competency model Implement and roll out revised IDP system aligned to training initiatives Standardise performance scorecard (contract) across the group Continuously monitor and reinforce performance-driven culture Continue to assist employees with credit worthiness programmes and saving initiatives so that they qualify for the housing support scheme
			High turnover rate of black and female employees	Development and appointment of black and female employees	
			Behaviour and conduct of employees	Refresher training on code of conduct and roll out of group employee relations policy	
			Succession management	Talent reviews with action plans	
			Career path planning	Consolidated talent reviews to group succession plans to close the gaps	
			Learning and development	Continue to train and develop people according to the needs of the business and their individual development plan (IDP) Improving IDP process and monitoring	
			Remuneration and benefits	Ongoing communication on remuneration and benefits	
			Housing support scheme	In total, 78 people have completed housing transactions and PPC is helping employees with credit worthiness support and saving programmes to assist with affordability	
			Performance management (lack of consistency and standardised approach)	Reviewed and implemented an integrated performance management approach	

Shareholders/investors					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Owners need regular and accurate information on PPC's performance and strategy Comprehensive and transparent reporting enhances ability to conduct valuations on PPC	Shareholders Buy-side analysts, fund managers Sell-side analysts Banks Minorities/ subsidiary boards Media	JSE SENS announcements Presentations Circulars Roadshows Annual and interim results Site visits Annual general meeting Corporate website and videos Integrated report	Capital structure and rights offer process	Successful rights offer improved capital structure	Continuously improving disclosure Increase engagement with analysts, shareholders and fund managers Ethiopia investor site visit planned for calendar 2017 Introduce educational series for investors (biannual) Increase use of digital investor relations initiatives
			AfriSam merger	Continuous engagement on timelines and potential benefits of merger	
			Derisking DRC project	Strategies to reduce the project risks are being explored	
			Structure of BEE III	Work under way on BEE III	
			Demand and price dynamics for cement industry	Investor site visits hosted at Slurry and in Zimbabwe Conference and results presentations addressing key issues Chairman, CEO, CFO and MDs videos for integrated report	
			SA cement margin erosion		
			Competitor activity		
			Delivering international projects' business plans		
			Slow economic growth in sub-Saharan Africa, liquidity crisis in Zimbabwe		
			Share price performance	Increasingly transparent reporting	
			Corporate governance	Remuneration committee roadshows	
			Credibility of board and senior management	Perception survey with analysts and shareholders to elicit their views on board and management	

GROUP STAKEHOLDER ENGAGEMENT continued

Communities					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Understand community needs, communicate PPC's corporate social investment (CSI) policy and strategy	Community forums including NGOs Stakeholders from our projects	Public forums Meetings Internet Community engagement forum meetings	Sustainable funding for NGOs	Given the revised PPC strategy and new funding policy, we have opened the process to all NGOs via our website Strategic partners identified in areas of operation	Rolled out mobile science labs in 10 schools across the country. Measure impact on local communities and focus on high sales areas for new initiatives Develop a monitoring and evaluating framework for progress with labs to measure SROI Further engagement with communities, municipalities and regulators to identify local economic development projects that align with 2014 to 2018 social and labour plans
			Impact is not profound in areas of operations	CSI spend now spread across areas of operations	
			Too early to measure real impact of science project at schools	SROI will be done after a year	
			No social return on investment (SROI) calculated to date	CSI policy developed and aligned to business goals	
			Sustainability of local economic development projects	Identify projects that respond to the most pertinent basic needs of communities, eg water, roads and education	
			In Ethiopia, no community intervention identified to date	Roll out of CSI strategy and community engagement planned for 2018	

Government and regulators					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Mining licence approvals and conversions Identification of local economic development projects Approval of social and labour plans Reporting progress on mining charter targets Reporting progress on employment equity Keep communities informed about our environmental activities and performance Advocacy and collaborative engagement platform on regulatory and industry issues	Regular liaison with government departments at company level and through industry bodies Municipal councils Government and parastatals Embassies Environmental stakeholder forums	Conferences Working groups Meetings Stakeholder forums Participation in government public hearings and policy debates, written submissions (anti-dumping, carbon taxes) Regular meetings with departments to establish changes or progress with projects Site inspections Conferences Working groups Factory inspections	Licence to operate	Social and labour plans for 2014 to 2018 submitted	Further engagement on licence amendments Internal approval of BEE III and final presentation to DMR Implement various environmental authorisation and licence requirements Meet licence conditions through continual improvement at operations Continue to seek approval for all new social and labour plans
			Revised charter and mining rights scorecard	Presented and engaged on the proposed BEE III ownership transaction to DMR	
			Procurement progression	Identified non-compliant suppliers	
			Employment equity analysis	Analysis consolidated in employment equity plans for new entities	
			Air quality and waste	Invest in efficient technology	
			Health and safety compliance	All health and safety elements reviewed and complied with	
			Water use licence amendment and applications	Further engagement with treasury on design of tax regime for cement sector	
			Carbon tax	Carbon budget numbers submitted to DEA	
			Desired emission reduction outcomes		
			Postponement application for emission compliance		
			Environmental impact assessment appeal	Progress reports on social and labour plans. Mining charter targets submitted annually	

GROUP STAKEHOLDER ENGAGEMENT continued

Suppliers					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Build sound relationships that align with our business Actively promote partnerships with strategic suppliers Innovation and continuous improvement Promote multiple sources of supply Reward suppliers with proactive initiatives aligned with our environment programmes Spread our spend to deserving local suppliers	PPC supplier base, with greater focus on our strategic suppliers Targeted opportunities for exempt micro-enterprises and qualifying small enterprises	PPC engages with strategic suppliers annually through workshops, supplier assessments and industry forums Continuous interaction throughout sourcing processes Category managers and procurement officers continually monitor and manage commercial relationships with strategic suppliers to address delivery, quality, social, transformational (BBBEE), risk and environmental issues Secure, transparent and stable relationships	Transformation – suppliers must have relevant black ownership – duly approved transformation plans aligned to PPC's expectations	Ensure received suppliers' transformation plans are incorporated into supplier agreements and monitored against set milestones	Maintaining preferential procurement points Accelerate enterprise and supplier development Dilute concentration of the few top suppliers and expand to broader base Knowledge sharing and collaboration where suited Establish supplier relationship management across the business, moving beyond strategic spend categories Where spend exceeds R1 million, accelerate contracting with suppliers for targeted procurement opportunities identified Continue to engage vendors on revised codes of good practice – new BBBEE codes Conduct supplier audits
			Cost pressures	To minimise costs, we have focused on market analysis, understanding product characteristics and tracking indices/cost drivers to enable better price negotiations with strategic suppliers Continuous improvement and innovation in procurement	
			Supplier management and performance	PPC procurement portal is the access point for potential vendors within a sound governance structure	
			New legislation from dti and DMR (mining charter)	– Realise improved BBBEE targets – Continue programmes/ systems to identify BBBEE fronting	

Media					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
To provide context on our business in a transparent and credible way, and updates on achievements and developments across the group	Journalists across media categories Industry stakeholders	Media events Press releases Digital platforms (website, social media) Brand campaigns Sponsored events Media site visits	Downgrade by S&P Global	SENS announcement, analyst presentations, employee engagement	Rebuild trust in PPC's board and management team after the rights offer Manage our reputation in established PPC markets Build our reputation in new markets Demonstrate delivery on our strategic objectives and goals by providing updates on key milestones achieved Media monitoring for early detection of issues that could potentially impact PPC and opportunities to profile the group
			Rights offer	SENS announcement, analyst presentations, media release, shareholder circular, dedicated webpage on PPC website, employee engagement	
			Use of foreign labour on SK9 (PPC Slurry)	Ongoing engagement with NUM, departments of home affairs and labour	
			Proposed merger of PPC with AfriSam	SENS announcement, analyst teleconference, media briefing and media release, employee engagement, customer letter	
			Company performance in slowing economies with increasing competition	Ongoing media engagement, brand-building initiatives and leadership profiling	
			Political instability in countries of operations	Ongoing media monitoring	

GROUP STAKEHOLDER ENGAGEMENT continued

for the year ended 31 March 2017

Industry associations and academic institutions					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Identify relevant issues in the industry: present issues to government Support skills and economic development Align our strategy to future developments	Industry forums: – Association of Cementitious Material Producers (ACMPSA) – South African Readymix Association – Aggregate & Sand Producers Association of Southern Africa – Concrete Society of Southern Africa (CSSA) – Green Building Council of South Africa (GBCSA) – South African National Standards (SANS) technical committee	Industry forums: memberships, sponsorships and active participation in government engagements 2017 Imaginarium campaign completed platform with design innovation in six disciplines (film, sculpture, design, jewellery, fashion and architecture) Cement and Concrete Cube web-based industry library and knowledge sharing Public lectures and knowledge sharing at industry events through presentations, workshops and exhibits	Legislation on carbon tax	Quarterly and ongoing engagements with ACMPSA on lobbying government institutions on carbon tax legislation	13 Cool Capital benches, designed by final year TUT students and artists, placed in public spaces PPC hosted continuing professional development lectures, workshops and continued the imaginarium initiatives to educate "design and manufacture in concrete" Enterprise development assistance given to concrete beehives and vertical walls Proposal to be developed for an engineering training facility in CIMERWA In DRC, expand training to include higher level engineering skills
			Role of concrete in sustainable built environment – construction and infrastructure designed for the future	Expand our portfolio of services to customers by training them in cement and concrete technology Student engagements via lectures, master classes, student support	
			Need for skills development (technical/ strategy) in rest of Africa operations	– DRC established satellite basic engineering skills centre to create a pipeline for employment at operations – Trained nine plant operators at TSA and various SA operations for DRC operations – CIMERWA and DRC safety-related training such as lock-outs, conveyor belt and basic safety standards with a train-the-trainer component	

Industry associations and academic institutions (continued)					
Why we engage	**Who is included**	**How we engage**	**Issues raised**	**Actions taken**	**Next steps**
Identify relevant issues in the industry: present issues to government Support skills and economic development Align our strategy to future developments	Industry forums: – South African Road Pavement Forum – Institute of Architects (Gauteng and Pretoria) – Mining forums – Chamber of Mines (health and safety) – Tradesman associations – Department of Rural Development PPC supports or sponsors a number of universities: – UCT – research unit CoMSIRU R1,1 million under a THRIP partnership – Stellenbosch University – sustainable infrastructure programme with school of engineering. Funding of R900 000 pa – Cape Peninsula University of Technology – research projects – University of Johannesburg – fine arts and architecture public space and bench project	Final year student projects/master's dissertations as external examiners Sponsorships for architecture master classes, professional development and industry institutions	Unavailability of accurate cement sales information for South Africa, depriving the country of an important economic activity indicator	Engaging with relevant authorities to lobby all producers to submit industry sales data	

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF PPC LTD

We have performed our limited assurance engagement in respect of the selected non-financial key performance indicator (KPI) disclosures to be published in the PPC Ltd (PPC) integrated report for the year ended 31 March 2017.

Subject matter

The subject matter comprises the non-financial KPIs prepared in accordance with the Global Reporting Initiative G4 Guidelines (GRI G4) supported by management's internal basis of preparation (the criteria) as prepared by the responsible party during the year ended 31 March 2017.

The subject matter comprises the following:

Key performance indicator	Boundary of indicator assurance
Total workforce by employment type, employment contract, region and gender	South Africa (excluding Pronto, Safika and 3Q), Botswana and Zimbabwe
Total number and rates of new employee hires and employee turnover by age group, gender and region	South Africa (excluding Pronto, Safika and 3Q), Botswana and Zimbabwe
The percentage of total employees covered by collective bargaining agreements	South Africa (excluding Pronto, Safika and 3Q), Botswana and Zimbabwe
Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	South Africa (excluding Pronto, Safika and 3Q), Botswana and Zimbabwe
Average hours of training per year per employee by gender, and by employee category	South Africa (excluding Pronto, Safika and 3Q)
Composition of governance bodies	Group
Percentage of operations with implemented local community engagement, impact assessments, and development programmes	South Africa
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	South Africa, Botswana and Zimbabwe
Energy consumption within the organisation	South Africa
Direct greenhouse gas (GHG) emissions (scope 1)	South Africa
Indirect GHG emissions (scope 2)	South Africa
NO_x, SO_x, and other significant air emissions	South Africa
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	South Africa, Botswana and Zimbabwe
Direct economic value generated and distributed	Group

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the subject matter information, in accordance with the GRI and PPC's own internal basis of preparation.

The responsible party is responsible for:

- ensuring that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed;
- confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information; and
- designing, establishing and maintaining internal controls to ensure that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed.

Assurance practitioner's responsibility

We conducted our assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any non-financial performance indicator transactions beyond the period covered by our limited assurance engagement.

Quality control

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of work performed

We have performed our procedures on the subject matter, the non-financial KPIs of the company, as prepared by management in accordance with the GRI G4 as supported by management's basis of preparation for the year ended 31 March 2017.

Our evaluation included performing such procedures as we considered necessary which included:

- interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter;
- testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the report;
- inspected supporting documentation and performed analytical review procedures; and
- evaluated whether the selected KPI disclosures are consistent with our overall knowledge and experience of sustainability processes at PPC.

Our assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators have been presented, in all material respects, in accordance with GRI G4 guidelines, supported by management's internal basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected non-financial KPIs as set out in the subject matter paragraph (of our report) for the year ended 31 March 2017, is not prepared, in all material respects, in accordance with the GRI G4 supported by management's internally developed basis of preparation.

Restriction on use and distribution

Our report is made solely to the directors of PPC in accordance with our engagement letter dated 27 February 2017 for the purpose of proving limited assurance over the subject matter disclosed in the PPC integrated report for year ended 31 March 2017.

Claire Hoy
Director
Deloitte & Touche

12 June 2017

PPC

THE PEOPLE WE BUILD WILL BUILD US

The Nelson Mandela Children's Hospital, a quaternary hospital, assists in areas where there has been the greatest need for specialised paediatric service and caters for the needs of extremely sick children with very complicated illnesses.

PRODUCT:

PPC supplied 430 tonnes of cement

R454 million

Project cost

NELSON MANDELA CHILDREN'S HOSPITAL, SOUTH AFRICA

26° 10′ 42.7130″ S
28° 2′ 20.9166″ E

Photograph courtesy of Nelson Mandela Children's Hospital

INDEPENDENT AUDITORS' REPORT ON THE SUMMARISED CONSOLIDATION FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF PPC LTD

Opinion

The summarised consolidated financial statements PPC Ltd, which comprise the summarised consolidated financial statements, statement of financial position as at 31 March 2017, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PPC Ltd for the year ended 31 March 2017.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of PPC Ltd, in accordance with the minimum information required by IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summarised consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 June 2017. That report also includes the communication of key audit mattes as reported in the auditor's report of the audited financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the minimum information required by IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: A Mashifane
Partner
14 July 2017

Building 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Pro forma* Rm	Twelve months 2017/2016 % change
Revenue		**9 641**	4 501	9 187	5
Cost of sales		**7 359**	3 261	6 492	13
Gross profit		**2 282**	1 240	2 695	(15)
Administrative and other operating expenditure		**1 049**	489	1 065	(2)
Operating profit before item listed below:		**1 233**	751	1 630	(24)
Empowerment transactions IFRS 2 charges[a]		**206**	18	36	
Operating profit		**1 027**	733	1 594	(36)
Foreign exchange (loss)/gain on foreign currency monetary items	2	**(124)**	(20)	3	
Finance costs	3	**741**	330	572	30
Investment income		**27**	12	29	
Profit before equity-accounted earnings		**189**	395	1 054	(82)
Earnings/(loss) from equity-accounted investments		**1**	–	(13)	
Impairments	4	**(10)**	(5)	(43)	
Profit on sale of non-core assets		**–**	117	117	
Profit before taxation		**180**	507	1 115	(84)
Taxation	5	**153**	156	384	(60)
Profit for the year		**27**	351	731	(96)
Attributable to:					
Shareholders of PPC Ltd		**93**	369	793	(88)
Non-controlling interests		**(66)**	(18)	(62)	
Other comprehensive (loss)/income, net of taxation					
Items that will be reclassified to profit or loss		**(523)**	177	706	
Cash flow hedges		**(47)**	10	48	
Taxation on cash flow hedges		**13**	(3)	(14)	
Reclassification of profit on sale of available-for-sale financial asset to profit or loss		**–**	(82)	(82)	
Taxation impact on reclassification of profit on sale of available-for-sale financial asset to profit or loss		**–**	15	15	
Revaluation of available-for-sale financial asset		**–**	–	(7)	
Taxation on revaluation of available-for-sale financial asset		**–**	–	3	
Translation of foreign operations (refer to note 24)		**(489)**	237	743	
Total comprehensive (loss)/income		**(496)**	528	1 437	
Attributable to:					
Shareholders of PPC Ltd		**(295)**	520	1 377	
Non-controlling interests		**(201)**	8	60	
EARNINGS PER SHARE (CENTS)[b]	6				
Basic		**8**	54	117	(93)
Diluted		**8**	53	115	(93)

* Refer note 1.

[a] Comprises BBBEE and Zimbabwe indigenisation IFRS 2 charges.

[b] Following the successful rights issue by the company during September 2016, the prior reporting periods' weighted average number of shares have been adjusted in accordance with IAS 33 *Earnings per Share* and accordingly earnings per share has been restated.

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2017 Audited Rm	31 March 2016 Audited Rm
ASSETS			
Non-current assets		**14 192**	13 579
Property, plant and equipment	7	**12 531**	11 716
Goodwill	8	**237**	255
Other intangible assets	9	**677**	766
Equity-accounted investments		**225**	200
Other non-current assets	10	**380**	590
Deferred taxation assets	16	**142**	52
Non-current assets held for sale	11	**38**	42
Current assets		**3 805**	2 768
Inventories		**1 163**	1 121
Trade and other receivables	12	**1 652**	1 187
Cash and cash equivalents	13	**990**	460
Total assets		**18 035**	16 389
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	14	**3 919**	(1 113)
Other reserves		**1 464**	1 558
Retained profit		**2 668**	2 583
Equity attributable to shareholders of PPC Ltd		**8 051**	3 028
Non-controlling interests		**334**	535
Total equity		**8 385**	3 563
Non-current liabilities		**5 626**	6 729
Provisions	15	**545**	408
Deferred taxation liabilities	16	**1 073**	1 178
Long-term borrowings	17	**3 555**	4 614
Other non-current liabilities	18	**453**	529
Current liabilities		**4 024**	6 097
Short-term borrowings	17	**2 181**	4 557
Trade and other payables	19	**1 843**	1 540
Total equity and liabilities		**18 035**	16 389

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Pro forma* Rm
Cash flow from operating activities				
Operating cash flows before movements in working capital		**2 101**	1 137	2 382
Working capital movements		**(230)**	(324)	7
Cash generated from operations		**1 871**	813	2 389
Finance costs paid		**(743)**	(292)	(448)
Investment income received		**21**	8	25
Taxation paid		**(296)**	(195)	(432)
Cash available from operations		**853**	334	1 534
Dividends paid		**(8)**	(185)	(321)
Net cash inflow from operating activities		**845**	149	1 213
Cash flow from investing activities				
Acquisition of additional shares in equity-accounted investment		**–**	(75)	(75)
Acquisition of additional shares in subsidiary		**(18)**	–	(108)
Investments in intangible assets		**(19)**	(12)	(34)
Investments in property, plant and equipment		**(2 058)**	(1 176)	(3 038)
Movements in other investing activities		**–**	4	(5)
Movement in other non-current assets		**–**	(181)	(181)
Proceeds from disposal of property, plant and equipment		**4**	4	9
Proceeds on sale of equity-accounted investment and available-for-sale financial asset		**–**	153	153
Net cash outflow from investing activities		**(2 091)**	(1 283)	(3 279)
Cash flow from financing activities				
Net borrowings (repaid)/raised before repayment of the notes	17	**(1 370)**	1 499	2 663
Proceeds from the issuance of shares following rights issue (net of transaction costs)		**3 722**	–	–
Proceeds from the issuance of shares issued to strategic black partners through the modification of the company's first BBBEE transaction	14	**1 041**	–	–
Proceeds from the sale of nil paid letters by consolidated BBBEE entities		**137**	–	–
Purchase of PPC Ltd shares in terms of the FSP share incentive scheme	14	**(74)**	–	(24)
Repayment of notes	17	**(1 614)**	(650)	(650)
Net cash inflow from financing activities		**1 842**	849	1 989
Net movement in cash and cash equivalents		**596**	(285)	(77)
Cash and cash equivalents at the beginning of the period		**460**	718	464
Cash and cash equivalents acquired on acquisition of 3Q Mahuma Concrete	20	**4**	–	–
Exchange rate movements on opening cash and cash equivalents		**(70)**	27	73
Cash and cash equivalents at the end of the period		**990**	460	460

* Refer note 1.

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital Rm	Foreign currency translation reserve Rm
Balance at 31 March 2015 (unaudited)	(1 141)	625
Dividends declared	–	–
IFRS 2 charges	–	–
Non-controlling interest recognised following investment in subsidiary	–	–
Put option recognised on non-controlling shareholder investment in PPC Barnet DRC Holdings	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	(24)	–
Total comprehensive income/(loss)	–	409
Transactions with non-controlling shareholders recognised directly in equity	–	–
Transfer to retained profit	–	–
Balance at 30 September 2015 (audited)	(1 165)	1 034
Dividends declared	–	–
IFRS 2 charges	–	–
Issuance of shares to fund an additional investment in Safika Cement	26	–
Total comprehensive income/(loss)	–	211
Transactions with non-controlling shareholders recognised directly in equity	–	–
Vesting of FSP incentive scheme awards	26	–
Balance at 31 March 2016 (audited)	**(1 113)**	**1 245**
Acquisition of 3Q settled via the issue of shares (refer note 20)	**135**	**–**
Dividends declared	**–**	**–**
IFRS 2 charges	**–**	**–**
Increase in stated capital from issuance of shares following rights issue (net of transaction costs)	**3 805**	**–**
Proceeds from sale of nil paid letters by consolidated BBBEE entities	**–**	**–**
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	**37**	**–**
Shares issued to strategic black partners through the modification of the company's first BBBEE transaction[(a)]	**1 041**	**–**
Shares purchased in terms of FSP incentive scheme treated as treasury shares	**(74)**	**–**
Total comprehensive (loss)/income	**–**	**(354)**
Vesting of shares held by certain BEE 1 entities	**88**	**–**
Balance at 31 March 2017 (audited)	**3 919**	**891**

[(a)]In 2008 PPC announced its first broad-based black economic transaction for a period of eight years, which resulted in an effective BBBEE ownership of 15,29%. In terms of the transaction agreements, the 48 557 982 PPC shares held by the strategic black partners (including community service groups) (SBPs and CSGs) were repurchased by PPC at R0,10 per share and the SBPs and CSGs were required to subscribe for new PPC shares at R66,84 per share, subject to their funding position. The SBPs and CSGs subscribed for 15 571 174 new PPC ordinary shares in December 2016.

Other reserves						
Available-for-sale financial asset Rm	Hedging reserve Rm	Equity compensation reserve Rm	Retained profit Rm	Equity attributable to shareholders of PPC Ltd Rm	Non-controlling interests Rm	Total equity Rm
84	–	232	2 123	1 923	757	2 680
–	–	–	(129)	(129)	(7)	(136)
–	–	23	–	23	–	23
–	–	–	–	–	134	134
–	–	–	–	–	(422)	(422)
–	–	–	–	(24)	–	(24)
(3)	27	–	424	857	52	909
–	–	–	(7)	(7)	7	–
–	–	5	(5)	–	–	–
81	27	260	2 406	2 643	521	3 164
–	–	–	(185)	(185)	–	(185)
–	–	31	–	31	–	31
–	–	–	–	26	–	26
(67)	7	–	369	520	8	528
–	–	–	(7)	(7)	6	(1)
–	–	(26)	–	–	–	–
14	**34**	**265**	**2 583**	**3 028**	**535**	**3 563**
–	**–**	**–**	**–**	**135**	**–**	**135**
–	**–**	**–**	**(8)**	**(8)**	**–**	**(8)**
–	**–**	**245**	**–**	**245**	**–**	**245**
–	**–**	**–**	**–**	**3 805**	**–**	**3 805**
–	**–**	**137**	**–**	**137**	**–**	**137**
–	**–**	**–**	**–**	**37**	**–**	**37**
–	**–**	**–**	**–**	**1 041**	**–**	**1 041**
–	**–**	**–**	**–**	**(74)**	**–**	**(74)**
–	**(34)**	**–**	**93**	**(295)**	**(201)**	**(496)**
–	**–**	**(88)**	**–**	**–**	**–**	**–**
14	**–**	**559**	**2 668**	**8 051**	**334**	**8 385**

SEGMENTAL INFORMATION

for the 12 months ended 31 March 2017

The group discloses its operating segments according to the business units which are reviewed by the group executive committee. The key segments are southern Africa cement, rest of Africa cement, lime, aggregates and readymix and group services. The reporting segments have been reconsidered during

	Consolidated		Cement Southern Africa[a]	
	31 March 2017 Audited Rm	31 March 2016 Unaudited[d] Rm	**31 March 2017 Audited Rm**	31 March 2016 Unaudited[d] Rm
Revenue				
Gross revenue	**9 878**	9 424	**5 712**	5 659
Inter-segment revenue[e]	**(237)**	(237)	**–**	–
Total revenue	**9 641**	9 187	**5 712**	5 659
Operating profit before items listed below	**1 233**	1 630	**861**	1 138
Empowerment transactions IFRS 2 charges	**206**	36	**16**	1
Operating profit[f]	**1 027**	1 594	**845**	1 137
Fair value (loss)/gain on foreign currency monetary items	**(124)**	3	**(5)**	10
Finance costs	**741**	572	**214**	25
Investment income	**27**	29	**11**	8
Profit before equity-accounted earnings	**189**	1 054	**637**	1 130
Earnings from equity-accounted investments	**1**	(13)	**–**	–
Impairments and profit on sale of non-core assets	**(10)**	74	**–**	–
Profit before taxation	**180**	1 115	**637**	1 130
Taxation	**153**	384	**192**	318
Profit/(loss) for the year	**27**	731	**445**	812
Depreciation and amortisation	**832**	755	**374**	386
EBITDA[g]	**2 065**	2 385	**1 235**	1 524
EBITDA margin (%)	**21,4**	26,0	**21,6**	26,9
Assets				
Non-current assets	**14 192**	13 579	**4 184**	3 506
Non-current assets held for sale	**38**	42	**–**	–
Current assets	**3 805**	2 768	**1 468**	1 484
Total assets	**18 035**	16 389	**5 652**	4 990
Investments in property, plant and equipment	**2 234**	3 378	**939**	689
Liabilities				
Non-current liabilities	**5 626**	6 729	**2 007**	1 310
Current liabilities	**4 024**	6 097	**792**	510
Total liabilities	**9 650**	12 826	**2 799**	1 820
Capital commitments (refer note 21)	**1 071**	3 283	**716**	1 409

[a]Southern Africa comprises South Africa and Botswana.
[b]Rest of Africa comprises Zimbabwe, Rwanda, DRC and Mozambique.
[c]Group services and other comprises group, PPC Ltd, group services, BEE and group eliminations.
[d]Refer note 1, change in financial year-end.
[e]All sales are concluded at an arm's length.
[f]The recent implementation of the internal restructure of the group has resulted in some incomparable intercompany operating charges, which will be refined in the subsequent year as the restructuring matures. These have been adjusted for between the differing segments. There has been no impact on consolidated operating profit, as presented above.
[g]EBITDA is defined as operating profit before empowerment transactions IFRS 2 charges and depreciation and amortisation.

No individual customer comprises more than 10% of group revenue.

Key considerations pertaining to the significant individual geographies within the rest of Africa cement segment

Zimbabwe

Market consensus expects the economy to contract by 1,7% in 2017 before expanding by 0,5% in 2018. As a significant portion of the Zimbabwe economy is driven by tobacco, stronger tobacco harvests will see the start of a recovery in 2017. The country's fiscus will, however, remain under intense pressure as recessionary conditions constrain revenues. Predominant use of the strong US dollar is expected to continue affecting export competitiveness and remittances, while stimulating appetite for imports. The deteriorating economic environment and resultant liquidity issues have resulted in challenges being faced with processing of foreign payments by the banks in Zimbabwe. During the year, both volume and selling price declines were experienced.

the current reporting period and have been amended from that shown in the prior period following the internal restructuring process that took place during April 2016. The prior period comparisons have been amended from that previously reported.

Cement		Materials business					
Rest of Africa[b]		Lime		Aggregates and readymix		Group services and other[c]	
31 March 2017 Audited Rm	31 March 2016 Unaudited[d] Rm	**31 March 2017 Audited Rm**	31 March 2016 Unaudited[d] Rm	**31 March 2017 Audited Rm**	31 March 2016 Unaudited[d] Rm	**31 March 2017 Audited Rm**	31 March 2016 Unaudited[d] Rm
2 118	1 946	**818**	817	**1 230**	1 002	**–**	–
–	–	**–**	–	**–**	–	**(237)**	(237)
2 118	1 946	**818**	817	**1 230**	1 002	**(237)**	(237)
347	318	**119**	152	**74**	122	**(168)**	(100)
2	2	**2**	–	**1**	–	**185**	33
345	316	**117**	152	**73**	122	**(353)**	(133)
(153)	(29)	**–**	–	**(1)**	(15)	**35**	37
168	194	**4**	3	**3**	2	**352**	348
6	7	**1**	1	**1**	1	**8**	12
30	100	**114**	150	**70**	106	**(662)**	(432)
–	–	**–**	–	**–**	–	**1**	(13)
(10)	(34)	**–**	–	**–**	–	**–**	108
20	66	**114**	150	**70**	106	**(661)**	(337)
21	55	**29**	41	**6**	36	**(96)**	(66)
(1)	11	**85**	109	**64**	70	**(565)**	(271)
298	222	**46**	44	**77**	65	**37**	38
645	540	**165**	196	**151**	187	**(131)**	(62)
30,5	27,7	**20,2**	24,0	**12,3**	18,7	**–**	–
8 113	8 298	**319**	415	**726**	680	**850**	680
38	42	**–**	–	**–**	–	**–**	–
1 334	1 116	**210**	187	**315**	237	**478**	(256)
9 485	9 456	**529**	602	**1 041**	917	**1 328**	424
1 181	2 452	**26**	70	**57**	64	**31**	103
5 916	5 713	**117**	103	**215**	237	**(2 629)**	(634)
1 382	945	**86**	90	**176**	125	**1 588**	4 427
7 298	6 658	**203**	193	**391**	362	**(1 041)**	3 793
310	1 730	**9**	5	**9**	59	**27**	80

Rwanda

According to the Africa Development Bank Group, Rwandan GDP growth for 2017 is expected to average 7,2% and recover strongly in 2018 and beyond. Cement growth is expected to follow a similar trend. The gradual ramp up of operations and optimisation will continue and the PPC plant should reach full capacity in the next two years, benefiting from its location to supply cement to Rwanda, eastern DRC and Burundi. Aligned with the government's national development plans and a growing middle class, cement demand is expected to grow steadily over the medium term. The percentage of the population living in urban settlements is expected to rise from 17% at present to 35% by 2020. This bodes well for cement demand in the country.

DRC

After four years at 7,9% pa GDP growth, this index has since declined to 6,9% in 2015 and is estimated at 2,8% and 4,1% for 2016 and 2017 respectively. This has significantly affected government spending. The exchange rate is deteriorating rapidly against the US dollar and CPI is forecast at 33,5% for 2017. Political agreement was reached between major parties in December 2016 but has not been implemented against the agreed timeframe. If the political environment stabilises, in conjunction with a recovery in commodity prices, and the local economy improves, cement demand should increase.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The audited summarised consolidated financial statements are prepared in accordance with the minimum requirements of IAS 34 *Interim Financial Reporting*, and the provisions of the Companies Act of South Africa applicable to financial statements. The accounting policies applied in the preparation of the summarised consolidated financial statements were derived in terms of International Financial Reporting Standards (IFRS). These audited summarised consolidated financial statements do not include all the information required for the full annual financial statements and should be read in conjunction with the consolidated annual financial statements as at and for the twelve months ended 31 March 2017.

These audited summarised consolidated financial statements have been prepared under the supervision of MMT Ramano CA(SA), chief financial officer, and were approved by the board of directors on 6 June 2017.

The accounting policies and methods of computation used are consistent with those used in the preparation of the consolidated financial statements for the period ended 31 March 2016, except for the revised accounting standards and interpretations that became effective during the current year, and which did not have a material impact on the reported results. No amendments or interpretations were adopted during the current year.

A copy of the financial information from which these audited summarised consolidated financial statements were derived can be found on the company's website, www.ppc.co.za.

Change in financial year-end

In the prior year, PPC Ltd changed its financial year-end from September to March. The first year-end to March 2016 was only for a six-month period, while the second March year-end, being the 2017 financial year, is for a twelve-month period. As the comparable period results related to a six-month period following the financial year-end change, for ease of comparison, pro forma financial information reflecting the calculation of the twelve-month financial information to March 2016 was released on SENS on 9 March 2017 and included in these results.

The pro forma financial information included within the SENS and subject to a reporting accountant's report only included the statements of financial position, comprehensive income and cash flows together with earnings per share. The composition of the statement of comprehensive income assertions and roll forward of statement of financial position items included within the notes have therefore not been audited or reviewed.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group and company can continue in operational existence for the foreseeable future.

PPC embarked upon an expansion strategy in 2010 to extract value from high-growth economies by expanding its footprint into the rest of Africa. The result of this expansion strategy is an expected increase in gross production capacity of approximately three million tonnes per annum giving the group a solid foundation for further growth. Given the long lead time required to develop greenfield operations, the group has drawn down on pre-arranged project finance debt (refer note 14) without an immediate concomitant increase in earnings and resultant cash flow. During the same period of the company's expansion on the continent, external factors beyond the group's control have seen a slowing global economy and significant decline in oil and commodity prices, which have culminated in downward pressures on selling prices in the regions in which the group operates. In addition, South Africa, which is currently the major contributor to the group's earnings, has seen intensified competition in terms of new entrants and imports into the country despite the economic slowdown, resulting in overcapacity in the market.

The board and executive management continue to monitor and develop business plans and liquidity models in order to effectively deal with the effects of a continuation of the current low selling price environment and slowing economic growth. During the current reporting period, the group successfully completed a R4 billion rights offer that was 5,8 times oversubscribed. The proceeds of the rights offer were used to reduce local debt and will also assist in funding future operational requirements. In December 2016 the company received R1,1 billion as its 2008 BBBEE transaction matured and the strategic partners subscribed for shares in the company, further strengthening the capital structure. Total borrowings of the group are R5 736 million in comparison to the R9 171 million at March 2016 and R5 914 million at September 2016. At the end of March 2017, the group's debt to EBITDA was 2,8 times (March 2016: 3,8 times), a marked improvement. The group's net debt was R4 746 million (March 2016: R8 711 million) and the net debt to EBITDA ratio was 2,3 times (March 2016: 3,7 times) at the end of March 2017.

At year-end, current liabilities exceed current assets by R219 million mainly due to the short-term portion of R1 565 million of long-term borrowings being classified under current liabilities. In June 2017, the group successfully refinanced the R1 565 million debt until June 2018. The directors have complied with the requirements of IAS 1 paragraph 27 in considering the classification of the funding. With the signing of the refinance agreements on 2 June we have successfully refinanced and lengthened the term of the R1,56 billion funds originally due on 30 September 2017 to 30 June 2018 and thus subsequent to the year-end, the funding has become non-current. The revised profile of the group's statement of financial position is presented below, showing a stronger current assets to current liabilities ratio. Post the refinancing, current assets will exceed current liabilities by R1 346 million. Refer to notes 17 and 23 for further details on the extension.

Based on the expectation that the group's current trading position and forecasts will be met and taking current and future banking facilities into consideration, the directors believe that the group will be able to comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Restatement of segmental information

In compiling the results for the current year, certain prior year numbers have been restated.

Following the internal restructure effective 1 April 2016, the group's segments have been amended to align to the current reporting structures and information presented to the group executive committee. Further details can be found in the segmental information section in this report.

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
2.	**FOREIGN EXCHANGE LOSS/(GAIN) ON FOREIGN CURRENCY MONETARY ITEMS**			
	Loss on ineffective portion of cash flow hedge	**9**	–	–
	Gain on remeasurement of put option liabilities	**–**	(16)	(30)
	(Gain)/loss on unlisted collective investments	**(1)**	–	2
	Net loss on translation of foreign-denominated currency monetary items	**116**	36	25
		124	20	(3)

Included in loss on translation of foreign-denominated currency monetary items, is a loss of R112 million relating to the remeasurement of the non-current VAT receivable in the DRC following recent devaluations of the Congolese franc against the US dollar. Further, a remeasurement loss of R53 million has been recorded against the US dollar denominated project funding in Rwanda. Offsetting these losses are gains made on open forward exchange contracts held for capital purchases and working capital requirements.

Details on foreign exchange rates can be found in note 24.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
3.	**FINANCE COSTS**			
	Bank and other short-term borrowings[a]	**474**	49	75
	Notes	**80**	98	192
	Long-term loans	**345**	229	421
		899	376	688
	Capitalised to plant and equipment	**(241)**	(119)	(276)
	Finance costs before BBBEE transaction and time value of money adjustments	**658**	257	412
	BBBEE transaction	**37**	41	104
	Dividends on redeemable preference shares	**17**	19	39
	Long-term borrowings	**20**	22	65
	Time value of money adjustments on rehabilitation and decommissioning provisions and put option liabilities	**46**	32	56
		741	330	572
	Southern Africa	**573**	258	378
	Rest of Africa	**168**	72	194

[a]Includes liquidity and guarantee facility raising fees of R128 million in the current year which have been fully amortised to finance costs.

The total finance costs excluding time value of money adjustments relate to borrowings held at amortised cost. For details of borrowings refer note 17.

4.	**IMPAIRMENTS**			
	Impairment of financial asset	**–**	–	(2)
	Impairment of loans advanced	**–**	(1)	(2)
	Impairment of property, plant and equipment	**(10)**	(4)	(39)
	Gross impairments and other exceptional adjustments	**(10)**	(5)	(43)
	Taxation impact	**3**	–	12
	Net impairments and other exceptional adjustments	**(7)**	(5)	(31)

Impairment of property, plant and equipment

– In the current year, as CIMERWA recognised an impairment of R10 million relating to machinery that will no longer be utilised in the bagging and packing process.

– In the prior year, Zimbabwe recognised an impairment of R27 million relating to a limestone quarry due to uncertainty of future prospects.

– An impairment of R7 million relating to the old plant at CIMERWA that would not be used post-commissioning of the new plant was recorded in the period ended March 2016.

– Other minor impairments to property, plant and equipment of R5 million were processed in March 2016.

	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
5. TAXATION			
The taxation charge comprises:			
Current taxation	**284**	74	290
Current year	**271**	67	317
Prior years	**13**	(14)	(48)
Capital gains taxation	**–**	21	21
Deferred taxation	**(154)**	61	71
Current year	**(177)**	61	41
Prior years	**23**	–	30
Withholding taxation on dividends	**23**	21	23
	153	156	384
	%	%	%
Taxation rate reconciliation			
A reconciliation of the standard South African normal taxation rate is shown below:			
Profit before taxation (excluding earnings from equity-accounted investments)	**85**	31	31
Prior years' taxation impact	**(20)**	3	(1)
Profit before taxation, including prior years' taxation adjustments	**65**	34	30
Adjustment due to the inclusion of dividend income	**–**	–	1
Effective rate of taxation	**65**	34	31
Income taxation effect of:	**(37)**	(6)	(3)
Disallowable charges, forex revaluations, permanent differences and impairments	**(10)**	(2)	(4)
Empowerment transactions and IFRS 2 charges not taxation deductible	**(32)**	(1)	–
Finance costs on BBBEE transaction not taxation deductible	**(9)**	(2)	–
Foreign taxation rate differential	**12**	1	2
Capital gains differential on sale of non-core assets	**–**	2	2
Recognition of deferred taxation on assessed losses not previously recorded	**15**	–	–
Withholding taxation	**(13)**	(4)	(3)
South African normal taxation rate	**28**	28	28

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Cents	Six months ended 31 March 2016 Audited Cents	Twelve months ended 31 March 2016 Unaudited Cents[a]
6.	**EARNINGS AND HEADLINE EARNINGS**			
	Earnings per share			
	Basic	**8**	54	117
	Diluted	**8**	53	115
	Basic (normalised)[b]	**47**	43	111
	Diluted (normalised)[b]	**47**	42	109
	Headline earnings per share			
	Basic	**7**	41	107
	Diluted	**7**	41	105
	Basic (normalised)[b]	**47**	43	110
	Diluted (normalised)[b]	**46**	42	109
	Determination of headline earnings per share			
	Earnings per share	**8**	54	117
	Adjusted for:			
	Proceeds from insurance claim	**(1)**		–
	Impairments and profit on sale of non-core assets	**–**	(17)	(11)
	Taxation impact	**–**	4	1
	Headline earnings per share	**7**	41	107
		Rm	Rm	Rm
	Headline earnings			
	Profit for the year	**27**	351	731
	Impairments and profit on sale of non-core assets	**10**	(112)	(75)
	Taxation on impairments and profit on sale of non-core assets	**(3)**	24	11
	Loss on sale of property, plant and equipment	**10**	–	–
	Taxation on loss sale of property, plant and equipment	**(3)**	–	–
	Proceeds from insurance claim	**(27)**	–	–
	Taxation on proceeds from insurance	**8**	–	–
	Headline earnings	**22**	263	667

	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
6. EARNINGS AND HEADLINE EARNINGS continued			
Attributable to:			
Shareholders of PPC Ltd	**85**	281	724
Non-controlling interests	**(63)**	(18)	(57)
Normalised earnings			
Profit for the year	**27**	351	731
Normalisation adjustments[b]	**473**	(75)	(40)
Normalised profit for the year	**500**	276	691
Attributable to:			
Shareholders of PPC Ltd	**527**	294	748
Non-controlling interests	**(27)**	(18)	(57)
	Cents	Cents	Cents
Net asset book value per share	**533**	573	573
Cash earnings per share[c]	**75**	49	291
Cash conversion ratio[d]	**0,9**	0,7	1,0
[a]Following the successful four billion (one billion shares) rights issue by the company during September 2016, the prior reporting period weighted average number of shares have been adjusted by a factor of 1,29 times in accordance with IAS 33 *Earnings per Share* and accordingly the earnings per share has been restated.			
[b]Normalisation adjustments comprise:			
Empowerment transactions IFRS 2 charges	**206**	18	36
Foreign exchange loss on the DRC VAT receivable (refer note 10)	**112**	–	–
Impairments (refer note 4)	**10**	4	41
Liquidity and guarantee facility raising fees and related costs (refer note 3)	**163**	–	–
Loss on sale of property, plant and equipment	**10**	–	–
Prior period taxation adjustments	**36**	(14)	(18)
Proceeds from insurance claim	**(27)**	–	–
Profit on sale of non-core assets	**–**	(117)	(117)
Restructuring costs	**9**	14	14
Taxation impact (excluding prior period taxation adjustments)	**(46)**	19	4
	473	(76)	(40)
Normalised earnings	**485**	(76)	(40)

[c]Cash earnings per share is calculated using cash available from operations divided by the total weighted average number of shares in issue for the year. Following the successful rights issue during September 2016, the prior reporting periods' weighted average number of shares have been adjusted in accordance with IAS 33 *Earnings per Share* and accordingly the cash earnings per share has been restated.

[d]Cash conversion ratio is calculated using cash generated from operations divided by EBITDA as defined in segmental information.

The difference between earnings and diluted earnings per share relates to shares held under the forfeitable share incentive scheme that have not vested.

For the weighted average number of shares used in the calculation, refer note 14.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
7.	**PROPERTY, PLANT AND EQUIPMENT**			
	Net carrying value at the beginning of the year	**11 716**	10 648	8 009
	Acquisition of subsidiary company (refer note 20)	**98**	–	–
	Additions	**2 236**	1 122	3 395
	Depreciation	**(740)**	(348)	(667)
	Other movements	**84**	(2)	(18)
	Impairments (refer note 4)	**(10)**	(4)	(39)
	Transfer to non-current assets held for sale	**–**	–	(40)
	Translation differences	**(853)**	300	1 076
	Net carrying value at the end of the year	**12 531**	11 716	11 716
	Comprising:			
	Freehold and leasehold land, buildings and mineral rights	**742**	800	800
	Decommissioning assets	**164**	79	79
	Plant, vehicles, furniture and equipment	**11 624**	10 836	10 836
	Capitalised leased plant	**1**	1	1
		12 531	11 716	11 716
	Assets pledged as security:			
	DRC	**3 269**	2 754	2 754
	Rwanda	**2 072**	2 140	2 140
	Zimbabwe	**1 963**	1 959	1 959
		7 304	6 853	6 853
	Included in plant, vehicles, furniture and equipment are vehicles with a carrying value of R11 million that have been used as security for finance lease obligations of R5 million that were consolidated into the financial statements with the acquisition of 3Q Mahuma Concrete (refer note 20).			
	Capital work in progress included in plant, vehicles, furniture and equipment:			
	DRC	**3 322**	2 822	2 822
	Rwanda	**12**	6	6
	Zimbabwe	**13**	817	817
	Slurry	**1 111**	349	349
	Other	**26**	323	323
		4 484	4 317	4 317

For details on capital commitments, refer note 21.

7. PROPERTY, PLANT AND EQUIPMENT continued

Impairment assessments

DRC

PPC, in partnership with the Barnet Group and International Finance Corporation (IFC), are constructing a 1,2mtpa integrated cement plant for approximately US$300 million (previously US$280 million) in DRC. The plant is near Kimpese in Kongo Central province in western DRC, 230km south-west of the capital Kinshasa.

The DRC market is facing uncertainty driven by political instability imports from Angola impacting cement demand and subdued selling prices. In addition, the competitive landscape has become challenging due to imports and new capacity in the market. These factors have necessitated an impairment assessment of the company's investment in the DRC operations. Management has therefore performed an impairment assessment based on fair value less costs of disposal. This has been determined as the most accurate current approach to determine a fair value as management believes the information relating to the costs capitalised to the plant are accurate and should provide a reasonable assessment of the current fair value. The plant is new, thus management believes that the fair value approximated by the original costs for construction of the plant, which at year-end amounted to R3,4 billion (2016: R2,3 billion). Management has no intention to dispose of the asset and hence the cost of disposal is estimated as negligible and in their view will not materially change their estimated fair value. As a result, management believes there is no impairment charge in relation to property, plant and equipment at the reporting date.

The plant produced its first cement in April 2017 from imported clinker. The first clinker firing was in April 2017 and the plant should be able to produce its own finished cement around June 2017. The plant Performance Acceptance Certificate (PAC) is planned to be signed by PPC Barnet and Sinoma (EPC contractor) upon meeting certain technical requirements. At the next reporting date, management will perform an evaluation of impairment indicators and if impairment indicators do exist, a full impairment assessment will be performed at 30 September 2017.

Rwanda

The new 600tpa plant was commissioned during September 2015. Targeted performance levels have not been achieved after commissioning of the new plant as originally anticipated and this below budget performance has prompted management to carry out an impairment assessment.

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 15% in-country discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business. The values used reflect past experiences while the economic growth rates of approximately 7,5% per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the impairment assessment review, the recoverable amount of CIMERWA was calculated to be higher than its carrying amount resulting in no impairment. The valuation achieved reflects headroom of 3% against the current net asset value of CIMERWA. Management will continue to monitor the position.

Zimbabwe

As a result of the current economic environment and liquidity challenges being experienced in Zimbabwe, an impairment assessment was undertaken.

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 13% US dollar discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business. The values used reflect past experiences while the economic growth rates of approximately 1% per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the impairment assessment review, the recoverable amount of PPC Zimbabwe was calculated to be higher than its carrying amount resulting in no impairment. The valuation achieved reflects a 10% headroom against the current net asset value of PPC Zimbabwe. Management will continue to monitor the implications of foreign currency shortages over the next few months and the potential implications on the business forecast.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

			Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
8.	**GOODWILL**				
	Net carrying value at the beginning of the year		**255**	254	249
	Translation differences		**(18)**	1	6
	Net carrying value at the end of the year		**237**	255	255
	Goodwill, net of impairments, is allocated to the following cash-generating units:				
	CIMERWA Limitada	(Rest of Africa cement segment)	**32**	50	50
	Safika Cement Holdings (Pty) Ltd	(Southern Africa cement segment)	**78**	78	78
	Pronto Holdings (Pty) Ltd	(Aggregates and readymix segment)	**127**	127	127
			237	255	255
9.	**OTHER INTANGIBLE ASSETS**				
	Balance at the beginning of the year		**766**	772	774
	Acquisition of subsidiary company (refer note 20)		**10**	–	–
	Additions		**19**	12	34
	Amortisation		**(92)**	(45)	(86)
	Transfers and other movements		**–**	–	3
	Translation differences		**(26)**	27	41
			677	766	766
	Comprising:				
	Right of use of mineral assets		**203**	214	214
	ERP development and other software		**126**	140	140
	Brand and trademarks and customer relationships		**348**	412	412
			677	766	766
10.	**OTHER NON-CURRENT ASSETS**				
	Unlisted collective investment[a]		**124**	119	119
	Derivative asset		**–**	2	2
	VAT receivable[b]		**210**	319	319
			334	440	440
	Advance payments for plant and equipment[c]		**38**	142	142
	Investment in government bonds[d]		**8**	8	8
			380	590	590

[a]Comprises an investment by the PPC Environmental Trust in local unit trusts. These investments are held to fund PPC's South African environmental obligations.

[b]The VAT receivable has been classified as non-current, in line with last year. Management has, however, received a letter from the DRC Finance Department which indicates that the VAT needs to be paid to PPC Barnet DRC on condition that the money is utilised for local suppliers and local salaries. The letter does not, however, state when the payments will be made. As a result of the uncertainty of when the instalments will commence, the receivable has not been reclassified as current but will be assessed in September 2017.

[c]In terms of the construction agreements with the suppliers of the new cement plants in DRC and Zimbabwe, a portion of the full contract price is required to be paid in advance of the plant construction. The advance payments will be recycled to property, plant and equipment as the plants are constructed, and are secured by advance payment bonds.

[d]Represents government of Zimbabwe treasury bills carried at fair value.

11.	**NON-CURRENT ASSETS HELD FOR SALE**				
	Property, plant and equipment[a]		**38**	42	42

[a]In September 2015, the PPC Zimbabwe board approved the disposal of houses at its Colleen Bawn and Bulawayo factories which was anticipated to be finalised in 12 months. The disposal is now anticipated to be completed by the second quarter of the 2018 financial year. No impairment loss was recognised on the initial reclassification as management concluded that the fair value (estimated based on market prices of similar properties) less costs to sell was higher than the current carrying amount. PPC Zimbabwe is included under the cement rest of Africa segment in the segmental analysis. The underlying assets are US dollar denominated and the year on year reduction follows the strengthening of the rand against the US dollar.

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
12.	**TRADE AND OTHER RECEIVABLES**			
	Trade receivables	**1 041**	982	982
	Allowance for doubtful debts	**(46)**	(77)	(77)
	Net trade receivables	**995**	905	905
	Mark to market cash flow hedge	**–**	48	48
	Mark to market fair value hedge	**27**	28	28
	Proceeds due from the rights offer shares listed on the Zimbabwe Stock Exchange[(a)]	**86**	–	–
	Proceeds due from the sale of shares	**37**	–	–
	Other financial receivables	**179**	111	111
	Trade and other financial receivables	**1 324**	1 092	1 092
	Prepayments	**105**	65	65
	VAT receivable	**99**	–	–
	Taxation receivable	**124**	30	30
		1 652	1 187	1 187
	Refer note 22 for fair value of trade and other receivables.			
	Net trade receivables comprise	**995**	905	905
	Trade receivables that are neither past due nor impaired	**816**	712	712
	Trade receivables that would otherwise be impaired whose terms have been renegotiated	**2**	6	6
	Trade receivables that are past due but not impaired	**177**	187	187

[(a)]The proceeds from the rights issue on the Zimbabwe Stock Exchange have not been remitted to PPC as at the date of this report.

13.	**CASH AND CASH EQUIVALENTS**			
	Currency analysis:			
	Botswana pula	**32**	19	19
	Mozambican metical	**10**	17	17
	Rwandan franc	**54**	126	126
	South African rand	**422**	47	47
	United States dollar	**472**	251	251
		990	460	460
	Amounts denominated in foreign currencies have been translated at ruling exchange rates at year-end (refer note 24).			
	Cash restricted for use relating to:			
	PPC Environmental Trust	**8**	6	6
	Consolidated BBBEE entities	**–**	1	1
	CIMERWA project finance	**–**	247	247
	Zimbabwe[(a)]	**289**	–	–
		297	254	254

(a)Due to the current liquidity constraints in Zimbabwe, the ability to remit funds beyond the country has become more difficult and as a result the full amount of cash within Zimbabwe has been reflected as restricted cash. Also included in the PPC Zimbabwe cash and cash equivalents are bond notes. Bond notes are debt instruments which have been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the US dollar.

Cash and cash equivalents include cash on hand and cash on deposit, net of outstanding bank overdrafts, where there is a right of set-off.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Shares (000)	Six months ended 31 March 2016 Audited Shares (000)	Twelve months ended 31 March 2016 Audited Shares (000)
14.	**STATED CAPITAL**			
	Authorised shares			
	Ordinary shares	**10 000 000 000**	700 000 000	700 000 000
	Preference shares	**20 000 000**	20 000 000	20 000 000
	Number of ordinary shares and weighted average number of shares			
	Total shares in issue at the beginning of the year	**607 181**	605 380	605 380
	Shares issued to non-controlling shareholders in Safika Cement on exercise of put option	**–**	1 801	1 801
	Shares issued for the acquisition of 3Q (refer note 20)	**17 566**	–	–
	Shares issued in terms of the rights issue	**1 000 000**	–	–
	Shares issued to the SBPs and CSGs following the maturity of the company's first BBBEE transaction	**15 571**	–	–
	Shares issued to strategic black partners through the modification of the company's first BBBEE transaction	**(48 558)**	–	–
	Total shares in issue before adjustments for treasury shares	**1 591 760**	607 181	607 181
	Shares issued in terms of the second BBBEE transaction treated as treasury shares	**(37 382)**	(37 382)	(37 382)
	Shares held by consolidated BBBEE trusts and trust funding SPVs treated as treasury shares	**(28 929)**	(34 477)	(34 477)
	Shares held by consolidated Porthold Trust (Private) Limited treated as treasury shares	**(1 285)**	(1 285)	(1 285)
	Shares purchased in terms of the FSP share incentive scheme treated as treasury shares	**(14 013)**	(5 563)	(5 563)
	Total shares in issue (net of treasury shares)	**1 510 151**	528 474	528 474
	Weighted average number of shares, used for:			
	Earnings and headline earnings per share	**1 137 338**	680 086	680 086
	Dilutive earnings and headline earnings per share	**1 148 753**	690 377	690 377
	Cash earnings per share	**1 137 338**	680 086	680 086

During September 2016, PPC concluded an oversubscribed rights issue. The weighted average number of shares used for calculating earnings and headline earnings per share, dilutive earnings and headline earnings per share and cash earnings per share for the prior reporting periods have been restated and have been adjusted by a factor of 1,29 in accordance with guidance provided in IAS 33 *Earnings per Share*. For the current reporting period, the opening weighted average number of shares and share movements that occurred prior to the rights issue have also been adjusted by the factor of 1,29, while the share movements post the rights issue have not been adjusted by the factor.

Shares are weighted for the period in which they are entitled to participate in the profits of the group.

14. STATED CAPITAL continued

Shares held by consolidated participants of the second BBBEE transaction

Shares issued in terms of the second BBBEE transaction which was facilitated by means of a notional vendor funding (NVF) mechanism, with the transaction concluding on 30 September 2019. These shares participate in 20% of the dividends declared by PPC during the NVF period. With the exception of the Bafati Investment Trust, entities participating in this transaction are consolidated into the PPC group in terms of IFRS 10 *Consolidated Financial Statements* during the transaction term.

Shares held by consolidated BBBEE trusts and trust funding SPVs

In terms of IFRS 10 *Consolidated Financial Statements*, certain of the BBBEE trusts and trust funding SPVs from PPC's first BBBEE transaction are consolidated, and as a result, shares owned by these entities are carried as treasury shares on consolidation.

Shares held by consolidated Porthold Trust (Private) Limited

Shares owned by a Zimbabwe employee trust company are treated as treasury shares.

FSP incentive scheme

In terms of the forfeitable share plan (FSP) incentive scheme, 14 013 429 shares (March 2016: 5 563 488 shares) are held in total for participants of this long-term incentive scheme. The shares are treated as treasury shares during the vesting periods of the awards. During the period, no shares (March 2016: 779 152 shares) vested.

In terms of IFRS requirements, 5% (March 2016: 13%) of the total shares in issue are treated as treasury shares following the consolidation of the various BBBEE entities, employee trusts and incentive share schemes.

	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
Stated capital			
Balance at the beginning of the year	**(1 113)**	(1 165)	(1 141)
Acquisition of 3Q Mahuma Concrete, settled via the issue of shares (refer note 20)	**135**	–	–
Increase in stated capital from issuance of shares following rights issue (net of transaction costs)	**3 805**	–	–
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	**37**	–	–
Shares issued to non-controlling interest in Safika on exercise of put option	**–**	26	26
Shares issued to strategic black partners through the modification of the company's first BBBEE transaction	**1 041**	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	**(74)**	–	(24)
Vesting of shares held by certain BEE 1 entities	**88**	–	–
Vesting of shares held in terms of the FSP share incentive scheme	**–**	26	26
Balance at the end of the year	**3 919**	(1 113)	(1 113)

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
15.	**PROVISIONS**			
	Decommissioning and rehabilitation	**509**	374	374
	Post-retirement healthcare benefits	**36**	34	34
		545	408	408

Group companies are required to restore mining and processing sites at the end of their productive lives to an acceptable condition consistent with local regulations, and in line with group policy. PPC has set up an environmental trust in South Africa to administer the local funding requirements of its decommissioning and rehabilitation obligations. Currently, there are no such regulations in other jurisdictions in which the group operates for the creation of a rehabilitation trust fund; however, in the DRC bank guarantees are required. The investments in the trust fund are carried at fair value through profit/loss and amount to R124 million (March 2016: R119 million).

Historically, qualifying employees were granted certain post-retirement healthcare benefits. The obligation for the employer to pay medical aid contributions after retirement is no longer part of the conditions of employment for new employees. A number of pensioners remain entitled to this benefit, the cost of which has been fully provided.

16.	**DEFERRED TAXATION**			
	Net liability at the end of the year comprises:	**931**	1 126	1 126
	Deferred taxation asset	**142**	52	52
	Deferred taxation liability	**1 073**	1 178	1 178
	Analysis of deferred taxation			
	Property, plant and equipment	**1 416**	1 490	1 490
	Other non-current assets	**120**	164	164
	Current assets	**14**	(2)	(2)
	Non-current liabilities	**(113)**	(89)	(89)
	Current liabilities	**(66)**	(38)	(38)
	Reserves	**(83)**	(37)	(37)
	Taxation losses	**(357)**	(362)	(362)
		931	1 126	1 126

Included in the net deferred taxation balance is a deferred taxation asset of R262 million (March 2016: R362 million) relating to CIMERWA's taxation losses. In terms of local legislation, taxation losses need to be utilised within five years from the initial year of assessment.

This assessment involves significant judgement as it requires management to project available taxable profits over a five-year period. Management has relied on the same projections used in assessing impairment of property, plant and equipment (refer note 4). These projections indicate that CIMERWA will be in a position to generate sufficient taxable profits to fully utilise the taxation losses. It is noted that the entity has very thin headroom and if projected sales fall below target by 2%, an impairment will be triggered.

17. LONG-TERM BORROWINGS

	Terms	Security	Interest rate	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
Notes[a]	Various, refer below	Unsecured	Various, refer below	**131**	1 747	1 747
Long-term loan	Interest is payable biannually with a bullet capital repayment in December 2016	Unsecured	Fixed 10,86%	**–**	1 417	1 417
Long-term loan[b]	Interest is payable quarterly with a bullet capital repayment in September 2017	Unsecured	Variable rates at 575 basis points above JIBAR	**1 565**	555	555
Long-term loan	Interest is payable monthly with a bullet capital repayable 18 months after notice period	Unsecured	Variable rates at 125 basis points above JIBAR	**–**	900	900
Project funding				**3 685**	3 372	3 372
Long-term loan	US dollar denominated, repayable in monthly instalments over a 10-year period, starting March 2016	Secured by CIMERWA's property, plant and equipment	Variable at 725 basis points above one-month US dollar LIBOR	**569**	806	806
Long-term loan	Rwanda franc denominated, repayable in monthly instalments over a 10-year period, starting March 2016	Secured by CIMERWA's property, plant and equipment	Fixed rate of 16%	**435**	474	474
Long-term loan	US dollar denominated, interest payable biannually. Biannual repayments in equal instalments over five years starting December 2016	Secured by PPC Zimbabwe's property, plant and equipment	Six-month US dollar LIBOR plus 700 basis points	**638**	550	550
Long-term loan	US dollar denominated, capital and interest payable biannually starting July 2017 ending January 2025	Secured by PPC Barnet DRC's property, plant and equipment	Six-month US dollar LIBOR plus 725 basis points	**2 043**	1 542	1 542

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

				Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
17.	**LONG-TERM BORROWINGS** continued					
	BBBEE transaction[c]			–	844	844
	Terms	**Security**	**Interest rate**			
Preference shares	Dividends payable biannually, annual redemptions ended December 2016	Secured by guarantee from PPC Ltd	Variable rates at 81,4% of prime and fixed rates of 9,24% to 9,37%	–	33	33
Preference shares	Dividends payable biannually with capital redeemable from surplus funds. Compulsory annual redemptions until December 2016	Secured by PPC shares held by the SPVs	Variable rates at 86,9% of prime	–	16	16
Preference shares	Capital and dividends repayable by December 2016, with capital capped at R400 million	Secured by guarantee from PPC Ltd	Variable rates at 78% of prime	–	393	393
Long-term loans	Capital and interest repayable by December 2016, with capital capped at R700 million	Secured by guarantee from PPC Ltd	Variable rates at 285 basis points above JIBAR	–	402	402
	Long-term borrowings			**5 381**	8 835	8 835
	Less: Short-term portion of long-term borrowings			**(1 826)**	(4 221)	(4 221)
				3 555	4 614	4 614
	Add: Short-term borrowings, bank overdrafts and short-term portion of long-term borrowings			**2 181**	4 557	4 557
	Total borrowings			**5 736**	9 171	9 171

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
17.	**LONG-TERM BORROWINGS** continued			
	Maturity analysis of total borrowings			
	One year	**2 181**	4 557	4 557
	Two years	**570**	1 777	1 777
	Three years	**669**	394	394
	Four years	**568**	393	393
	Five and more years	**1 748**	2 050	2 050
		5 736	9 171	9 171
	Assets encumbered are as follows:			
	Plant and equipment (refer note 7)	**7 304**	6 853	6 853

[a]**Notes**

Comprise unsecured notes, issued under the company's R6 billion domestic medium-term note programme, and are recognised net of capitalised transaction costs:

Note number, term and interest rate	**Issue date**			
PPC 002: five years; three-month JIBAR plus 1,5%	December 2013	**20**	750	750
PPC 003: five years; three-month JIBAR plus 1,48%	July 2014	**111**	750	750
PPC 004: seven years; 9,86%	July 2014	**–**	250	250
		131	1 750	1 750
Less: Transaction costs capitalised		**–**	(3)	(3)
		131	1 747	1 747
Less: Short-term portion		**–**	(1 747)	(1 747)
		131	–	–

[b]**Long-term loan**

The loan is reflected net of transaction costs of R12 million (March 2016: R35 million) which are being amortised over the 18-month period of the loan. Post-year-end the company has refinanced the facility with a maturity date of June 2018. The facility will bear interest at variable rates of 585 basis points above JIBAR.

[c]**BBBEE transaction**

The funding relating to the BBBEE transaction was settled during the year with the proceeds from the sale of the nil paid letters by the respective BBBEE entities and proceeds from the rights issue in September 2016, as PPC guaranteed the debt of the respective BBBEE entities.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
18.	**OTHER NON-CURRENT LIABILITIES**			
	Cash-settled share-based payment liability	**1**	3	3
	Finance lease liabilities[a]	**5**	–	–
	Liability to non-controlling shareholder in subsidiary company[b]	**16**	17	17
	DRC put option liability[c]	**434**	415	415
	Retentions held for plant and equipment[d]	**–**	97	97
		456	532	532
	Less: Short-term portion of other non-current liabilities	**(3)**	(3)	(3)
		453	529	529

[a]Finance lease obligations acquired via the acquisition of 3Q Mahuma Concrete and are secured by vehicles (refer note 20).

[b]Relates to US dollar denominated interest payable on initial equity contribution into the DRC group of companies by a non-controlling shareholder. The accruing of interest ceased in September 2015 and the amount payable will be repaid once the external funding of the DRC has been settled.

[c]The International Finance Corporation (IFC) was issued a put option in September 2015 in terms of which PPC is required to purchase all or part of the shares held by the IFC in PPC Barnet DRC Holdings. The put option may be exercised after six years from when the IFC subscribed for the shares but only for a five-year period. The value was calculated using the time value of money. In the prior year, the put option value was based on the DRC's forecast EBITDA applying a forward multiple less net debt. Forecasted EBITDA is based on financial forecasts approved by management, with pricing and margins similar to those currently being achieved by the business unit while selling prices and costs are forecast to increase at local inflation projections and extrapolated using local GDP growth rates ranging between 5% and 9% taking cognisance of the plant production ramp-up and adjusted for the impact of competitor activity. The forward multiple was determined using comparison of publicly available information of other cement businesses operating in the similar territories. The present value of the put option was calculated at R434 million (March 2016: R415 million).

[d]Retentions held on the construction of the cement plants. These retentions will be paid over to the contractors once the plants achieve guaranteed performance targets. These are all now under current as the plants are either in operation or close to completion at year-end.

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
19.	**TRADE AND OTHER PAYABLES**			
	Cash-settled share-based payment liability (short-term portion)	**1**	3	3
	Capital expenditure payables	**171**	229	229
	Derivative financial instruments	**–**	1	1
	Finance lease liabilities acquired through the acquisition of 3Q (refer note 18)	**2**	–	–
	Other financial payables	**49**	89	89
	Retentions held for plant and equipment	**297**	67	67
	Trade payables and accruals	**944**	994	994
	Trade and other financial payables	**1 464**	1 383	1 383
	Payroll accruals	**227**	139	139
	VAT payable	**46**	18	18
	Taxation payable	**106**	–	–
		1 843	1 540	1 540

Trade and other payables, payroll accruals and regulatory obligations are payable within a 30 to 60-day period.

	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
20. ACQUISITION OF SUBSIDIARY COMPANY			
Fair value of assets and liabilities acquired at date of acquisition:			
Property, plant and equipment	**98**		
Intangible assets	**10**		
Other non-current assets	**3**		
Cash and cash equivalents	**4**		
Other current assets	**102**		
Other non-current liabilities	**(6)**		
Current liabilities	**(76)**		
Net fair value of assets and liabilities acquired	**135**		

3Q Mahuma Concrete

The fair values presented at interim were provisional and are now final, with no material changes to the provisional numbers disclosed in September 2016.

On 1 July 2016, all the transaction terms to acquire 100% of 3Q Mahuma Concrete (Pty) Ltd (3Q) were achieved and 3Q became a wholly owned group subsidiary. The acquisition was settled via the issuance of 17 565 872 new PPC shares. The fair value of the shares for asset acquisition, using the ruling share price of R7,68 on the effective date of the transaction, amounted to R135 million.

The commercial rationale for the transaction is to progress the company's channel management strategy that serves as a complementary platform for cement growth in South Africa. PPC's strategic intention is to be a provider of materials and solutions into the basic services sector. Cementitious distribution channels, including readymix, is increasingly being utilised as conduit to grow and sustain cement sales volumes. The acquisition provides PPC with a further complementary platform to grow its service offering in this market segment. The South African market is evolving towards a concrete delivery model, which requires complementary building materials including cement, aggregates and readymix. Controlling cement distribution channels is vital, with customers and end users requiring integrated solutions.

3Q contributed R248 million to revenue. On an earnings and headline earnings per share basis, 3Q subtracted 1,03 cents for the nine months it has been consolidated into the group.

Fair value of intangible assets were valued by an independent specialist and amounted to R11 million, the significant portion thereof relating to the 3Q brand. These intangible assets will be amortised over a five-year period. The fair value adjustments to property, plant and equipment amounted to R11 million and relates to trucks, which were valued using insurable replacement values.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

		Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
21.	**COMMITMENTS**			
	Contracted capital commitments	**549**	2 289	2 289
	Approved capital commitments	**522**	994	994
	Capital commitments	**1 071**	3 283	3 283
	Operating lease commitments	**115**	124	124
		1 186	3 407	3 407
	Capital commitments			
	Southern Africa	**760**	1 649	1 649
	Rest of Africa	**311**	1 634	1 634
		1 071	3 283	3 283
	Capital commitments are anticipated to be incurred:			
	– Within one year	**1 046**	2 731	2 731
	– Between one and two years	**8**	543	543
	– Beyond two years	**17**	9	9
		1 071	3 283	3 283

Capital expenditure commitments are stated in current values which, together with expected price escalations, will be financed from surplus cash generated and borrowing facilities available to the group.

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The financial assets and liabilities carried at fair value are classified into three categories as reflected below:

	Note	Level*	**Twelve months ended 31 March 2017 Audited Rm**	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Audited Rm
Financial assets					
Loans and receivables					
Derivative financial instruments		2	**–**	2	2
Mark to market hedges	11	1	**27**	76	76
At fair value through profit or loss					
Unlisted collective investments at fair value (held for trading)	9	2	**124**	119	119
Total financial assets			**151**	197	197
Level 1			**27**	76	76
Level 2			**124**	121	121
Financial liabilities					
At fair value through profit or loss					
Cash-settled share-based payment liabilities	15	2	**1**	3	3
Put option liabilities	15	3	**434**	415	415
Derivatives					
Derivative financial instruments		2	**1**	1	1
Total financial liabilities			**436**	419	419
Level 2			**2**	4	4
Level 3			**434**	415	415

Methods and assumptions used by the group in determining fair values:

*Level 1 – financial assets and liabilities that are valued accordingly to unadjusted market prices for similar assets and liabilities. Market prices in this instance are readily available and the price represents regularly occurring transactions which have been concluded on an arm's length transaction.

*Level 2 – financial assets and liabilities are valued using observable inputs, other than the market prices noted in the level 1 methodology, and make reference to pricing of similar assets and liabilities in an active market or by utilising observable prices and market-related data.

*Level 3 – financial assets and liabilities that are valued using unobservable data, and requires management judgement in determining the fair value.

This note has been refined from that reported in the prior year to only include financial instruments held at fair value.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES continued

The estimated fair value of financial instruments is determined, at discrete points in time, by reference to the mid-price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the group uses valuation techniques to arrive at fair value, including the use of prices obtained in recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Put option liabilities have been calculated using EBITDA forecasts prepared by management and discounted to present value.

The fair value of derivative financial instruments relating to cash-settled share appreciation rights is determined with reference to valuation performed by third-party financial institutions at reporting date, using an actuarial binomial pricing model.

Level 3 sensitivity analysis

Financial instrument	Valuation technique	Main assumptions	Increase/ (decrease) (Rm)
Put option liabilities	Earnings multiple	EBITDA and net debt	74

If the EBITDA multiple applied in the valuation was one multiple higher/lower while all other variables were held constant, carrying amount of the PPC Barnet DRC put option liabilities would decrease/increase by R74 million.

	Twelve months ended 31 March 2017 Audited Rm	Six months ended 31 March 2016 Audited Rm	Twelve months ended 31 March 2016 Unaudited Rm
Movements in level 3 financial instruments			
Financial assets			
Balance at the beginning and end of the year	**–**	–	95
Remeasurements	**–**	–	(13)
Transfer to level 2	**–**	–	(82)
Balance at the end of the year	**–**	–	–
Following the sale of the group's investment in Ciments de Bourbon in January 2016, the group does not have any level 3 financial assets.			
Financial liabilities			
Balance at the beginning of the year	**415**	464	–
Exercised during the year	**–**	(42)	–
Put options issued	**–**	–	422
Remeasurements	**–**	(16)	(30)
Time value of money adjustments	**19**	9	23
Balance at the end of the year	**434**	415	415

Remeasurements are recorded in fair value adjustments on financial instruments in the income statement.

23. EVENTS AFTER THE REPORTING DATE

Except for the refinancing of debt in June 2017, there are no events that occurred after the reporting date that may have a material impact on the consolidated financial position at 31 March 2017.

The directors have complied with the requirements of IAS 1 paragraph 27 in considering the classification of the funding. With the signing of the refinance agreements on 2 June 2017, the company has successfully refinanced and lengthened the term of the R1,56 billion funds originally due on 30 September 2017 to 30 June 2018 and thus subsequent to the year-end, the funding has become non-current (refer note 17).

Post-year-end the following key events occurred that the group would like to highlight:

– The one million tonne per annum plant in the DRC was successfully commissioned during April 2017.

– The plant in Ethiopia was also successfully commissioned in April 2017.

24. CURRENCY CONVERSION GUIDE

	Average			Closing	
	Twelve months 2017	Six months 2016	Twelve months 2016	**2017**	2016
Approximate value of foreign currencies to the rand:					
Botswana pula	**1,32**	1,36	1,23	**1,26**	1,36
US dollar	**14,08**	14,82	11,96	**13,43**	14,71
Rwandan franc	**0,02**	0,02	0,02	**0,02**	0,02
Mozambican metical	**0,28**	0,32	0,34	**0,19**	0,29

R3,5 billion

Project cost

MALL OF AFRICA, SOUTH AFRICA

26° 0′ 49.0176″ S
28° 6′ 29.2043″

References: www.atterbury.co.za; www.waterfallcity.co.za
Photograph courtesy of ArcelorMittal South Africa

THE RELATIONSHIPS WE BUILD WILL BUILD US

South Africa's biggest single-phase shopping mall development to date, construction consumed ten million bricks and 8 500 tonnes of steel. It is 130 000 square metres in size and has parking for 65 000 cars.

Mall of Africa combines the latest international trends, environmentally sustainable materials and technologies. It is designed around new urbanism principles of walkable, mixed-use environments to create a truly cutting-edge shopping experience.

PRODUCT:

PPC supplied 40 000 tonnes of cement, 250 000 tonnes of aggregates (supersand and concrete stone) and 190 000m^3 readymix concrete for the construction of the mall. PPC also supplied the manufacturers of the 18 500 tonnes of steel used in the construction of the mall with lime products.

MINING CHARTER AND BBBEE SCORECARD

Due to the nature of cement manufacturing, PPC's empowerment credentials are measured against both the scorecard for the broad-based socio-economic empowerment charter of the South African mining industry, known as the mining charter, and the Department of Trade and Industry's (dti) broad-based black economic empowerment codes of good practice as revised in October 2013.

dti BBBEE status

PPC achieved a BBBEE rating of level 8 in December 2015, based on the 2007 code of good practice. This changed to a level 4 in terms of the 2015 codes of good practice, in December 2016.

BBBEE elements	2016	2015
Equity ownership	16,41	21,94
Management control and employment equity	11,84	10,98
Skills development	15,86	9,01
Preferential procurement	21,75	19,58
Enterprise development	15	1,86
Socio-economic development	5	5
Total	85,85	68,37
Level	4	8

Focus elements in the improvement plan are skills development, enterprise and supplier development and a drive to encourage employees to declare disabilities. The disability awareness drive was conducted in September 2016 and slightly improved the level of disclosure in PPC. Skills development scoring improved after optimising training spent on accredited and recognised skills programmes as well as improved absorption of learners, by giving qualified learners at least one year of work exposure at PPC plants to boost their employability.

PPC LTD SHAREHOLDER ANALYSIS

Register date: 31 March 2017
Issued share capital: 1 591 759 954 shares

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	5 626	42,55	2 070 352	0,13
1 001 – 10 000 shares	5 232	39,57	19 417 148	1,22
10 001 – 100 000 shares	1 739	13,15	49 935 736	3,14
100 001 – 1 000 000 shares	446	3,37	160 564 817	10,09
1 000 001 shares and over	180	1,36	1 359 771 901	85,43
Total	**13 223**	**100**	**1 591 759 954**	**100**
DISTRIBUTION OF SHAREHOLDERS				
American Depositary Receipts	3	0,02	15 254 772	0,96
Banks	93	0,70	413 903 929	26,00
Broad-based black ownership	17	0,13	136 892 842	8,60
Brokers	71	0,54	32 142 940	2,02
Close corporations	110	0,83	3 337 386	0,21
Endowment funds	38	0,29	3 555 068	0,22
Individuals	10 812	81,77	67 700 271	4,25
Insurance companies	42	0,32	32 855 558	2,06
Investment companies	16	0,12	10 949 688	0,69
Medical aid schemes	20	0,15	5 364 026	0,34
Mutual funds	255	1,93	382 007 975	24,00
Nominees and trusts	1 114	8,42	18 253 964	1,15
Other corporations	75	0,57	1 720 141	0,11
Pension funds	296	2,24	427 399 150	26,85
Private companies	260	1,97	40 412 244	2,54
Public companies	1	0,01	10 000	0,00
Total	**13 223**	**100**	**1 591 759 954**	**100**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	19	0,14	378 318 832	23,77
Directors' holdings	1	0,01	26 577	0,00
Broad-based black ownership	17	0,13	136 892 842	8,60
Strategic holdings (10% or more)	1	0,01	241 399 413	15,17
Public shareholders	13 204	99,86	1 213 441 122	76,23
Total	**13 223**	**100**	**1 591 759 954**	**100**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE OF THE ISC	Number of shares as of 31 March 2017	% as of 31 March 2017
Public Investment Corporation Limited (GEPF and UIF)	241 399 413	15,17
Lazard Emerging Markets Equity Portfolio	97 002 238	6,09

FINANCIAL CALENDAR

Financial year-end	31 March
Annual general meeting	28 August 2017
Reports	
Interim results for the half-year to September	Published November
Preliminary announcement of annual results	Published June
Annual financial statements	Published July
Dividends	
Interim	If declared November
Final	If declared June

GLOSSARY

ABET	Adult basic education and training
ACMP	Association of Cementitious Material Producers
ASPASA	Aggregate and Sand Producers Association of South Africa
BBBEE or BEE	Broad-based black economic empowerment
CDP	Carbon Disclosure Project
CGT	Capital gains tax
CSI	Corporate social investment
DEA	Department of Environmental Affairs (South Africa)
DMR	Department of Mineral Resources (South Africa)
DoE	Department of Energy (South Africa)
dti	Department of Trade and Industry (South Africa)
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Environmental impact assessment
EIUG	Energy-intensive users group
EMP	Environmental management plan
FSP	Forfeitable share plan
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
King III	King Report on Corporate Governance for South Africa
LED	Local economic development (South Africa)
LTI	Long-term incentive
LTI(FR)	Lost-time injury (frequency rate)
MOI	Memorandum of incorporation
MPRDA	Mineral and Petroleum Resources Development Act (South Africa)
MQA	Mining Qualifications Authority
NQF	National Qualifications Framework
OHSAS	Occupational Health and Safety Assessment Series
OPC	Ordinary Portland cement (CEM I)
PMC	Portland Masonry cement
SANS	South African National Standards
SK9	Slurry kiln 9
SLP	Social and labour plan (South Africa)
SMME	Small, medium and micro-enterprise
STC	Secondary tax on companies (South Africa)
STI	Short-term incentive
STIS	Short-term incentive scheme
TCTC	Total cost to company
TSR	Total shareholder return
VCT	Voluntary counselling and testing

GRI G4 INDEX

GENERAL STANDARD DISCLOSURES

		Page
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G4-3	Name of the organisation.	1
G4-4	Primary brands, products and services.	IFC, 54, 55
G4-5	Location of headquarters.	184
G4-6	Number of operating countries, and names of those with significant operations or specifically relevant to sustainability topics covered in the report.	14
G4-7	Nature of ownership and legal form.	14
G4-8	Markets served (geographic breakdown, sectors served, types of customers and beneficiaries).	15
G4-9	Scale, including: total employees, number of operations, net sales, total capitalisation by debt and equity, quantity of products produced.	14, 36, 42, 43, 45, 54
G4-10	Number of employees by employment contract and gender, total permanent employees by employment type and gender.	111
G4-11	Percentage of employees covered by collective bargaining agreements.	113
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G4-14	Whether and how the precautionary approach or principle is addressed.	2, 3
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives the organisation subscribes to or endorses.	2, 3
G4-16	Active and strategic memberships of associations (such as industry associations) and national or international advocacy organisations.	136 and 137
Identified material aspects and boundaries		
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Stakeholder engagement		
G4-24	Stakeholder groups engaged.	12, 13, 129 to 137
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G4-26	Approach to stakeholder engagement, including frequency by type and by stakeholder group, and indication of whether any engagement was undertaken specifically as part of report preparation.	129 to 137
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Report profile		
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G4-31	Contact point for questions on the report or its contents.	2
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GRI G4 INDEX continued

SPECIFIC STANDARD DISCLOSURES

Disclosure of management approach (DMA) and indicators			Page number (or link)
Category: Economic			
Material aspect: Economic performance			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		22
G4-EC1	Direct economic value generated and distributed on accrual basis.		51 to 53, 142 to 171
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Material aspect: Indirect economic impacts 7, 14			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		7, 14
G4-EC7	Development and impact of infrastructure investments and services supported.		117 to 119
Material aspect: Procurement practices			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		120
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.		120
Category: Environmental			
Material aspect: Materials			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122
G4-EN2	Percentage of materials used that are recycled input materials.		not reported
Material aspect: Energy			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN3	Total fuel consumption from non-renewable sources, including fuel types.		122, 123, 125
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G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122, 123, 126
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Material aspect: Biodiversity			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122
G4-EN11	Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.		122, 127

SPECIFIC STANDARD DISCLOSURES continued

Disclosure of management approach (DMA) and indicators			Page number (or link)
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G4-EN15	Gross direct (scope 1) GHG emissions.		124 to 128
G4-EN16	Gross energy indirect (scope 2) GHG emissions.		124 to 128
G4-EN17	Other indirect GHG emissions (scope 3).		124 to 128
G4-EN21	NO_x, SO_x and other significant air emissions.		124 to 128
Material aspect: Effluents and waste			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN23	Total weight of hazardous and non-hazardous waste, by disposal method.		127 and 128
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G4-EN27	Extent of mitigating environmental impacts of products and services.	[land rehabilitation]	127 and 128
Material aspect: Compliance			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN29	Significant fines and non-monetary sanctions.		No significant monetary fines or non-monetary sanctions
Material aspect: Transport			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for operations, and transporting members of the workforce.	[scope 3]	not reported
Material aspect: Overall			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN31	Total environmental protection expenditures and investments by type.		125
Material aspect: Supplier environmental assessment			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.		not reported
Material aspect: Environmental grievance mechanisms			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		122 and 123
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal mechanisms in the reporting period.		122 and 125

GRI G4 INDEX continued

SPECIFIC STANDARD DISCLOSURES continued

Disclosure of management approach (DMA) and indicators			Page number (or link)
Category: Social			
Sub-category: Labour practices and decent work			
Material aspect: Employment			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-LA1	Number and rate of employee hires and turnover in the reporting period by age group, gender and region.		112
G4-LA2	Standard benefits for full-time employees of the organisation but not provided to temporary or part-time employees.		91, 114
Material aspect: Labour/management relations			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-LA4	Minimum notice periods on operational changes, and whether these are specified in collective agreements.		113
Material aspect: Occupational health and safety			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		104
G4-LA6	Types of injury, injury rate, occupational diseases rate, lost-day rate, absentee rate and work-related fatalities for total workforce.		104 to 106
Material aspect: Training and education			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-LA9	Average hours of training by gender and employee category.		113 and 114
Material aspect: Diversity and equal opportunity			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		116
G4-LA12	Percentage of individuals on board by gender, age group, minority groups. Percentage of employees per category by gender, age group, minority groups.		72, 73, 111 and 112
Material aspect: Equal remuneration for women and men			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		not reported, remuneration on merit
Material aspect: Supplier assessment for labour practices			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		116
G4-LA14	Percentage of new suppliers screened using labour practices criteria.		120
Material aspect: Labour practices grievance mechanisms			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-LA16	Number of grievances on labour practices filed, addressed and resolved through formal mechanisms.		zero, 113

SPECIFIC STANDARD DISCLOSURES continued

Disclosure of management approach (DMA) and indicators			Page number (or link)
Category: Social continued			
Sub-category: Human rights			
Material aspect: Investment			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		22
G4-HR1	Number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.		zero
Material aspect: Non-discrimination			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-HR3	Number of incidents of discrimination and corrective actions taken.		zero
Material aspect: Freedom of association and collective bargaining			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-HR4	Operations and suppliers in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk.		zero, 113
Material aspect: Child labour			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.		PPC does not support the practice of child labour and no incidents were identified during the year
Material aspect: Forced or compulsory labour			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		109
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to eliminating all forms of forced or compulsory labour.		PPC does not support the practice of forced labour and no incidents were identified during the year nor were any operations identified as a risk
Material aspect: Security practices			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		not applicable
G4-HR7	Percentage of security personnel trained in PPC's human rights policies or procedures relevant to operations.		outsourced function
Material aspect: Indigenous rights			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		84
G4-HR8	Number of violations involving rights of indigenous peoples and actions taken.		zero
Material aspect: Assessment			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		84
G4-HR9	Percentage of operations subject to human rights reviews or impact assessments.		not reported

GRI G4 INDEX continued

SPECIFIC STANDARD DISCLOSURES continued

Disclosure of management approach (DMA) and indicators			Page number (or link)
Category: Social continued			
Sub-category: Human rights continued			
Material aspect: Supplier human rights assessment			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		84
G4-HR10	Percentage of new suppliers screened using human rights criteria.		zero
Material aspect: Human rights grievance mechanisms			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		84
G4-HR12	Number of grievances on human rights impacts filed, addressed and resolved through formal mechanisms.		zero
Sub-category: Society			
Material aspect: Local communities			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		117
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.		118 and 119
Material aspect: Anti-corruption			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		80
G4-SO3	Number and percentage of operations assessed for risks of corruption and significant risks identified.		not reported
Material aspect: Public policy			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		133
G4-SO6	Total value of political contributions by country and recipient/beneficiary.		zero
Material aspect: Anti-competitive behaviour			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		82
G4-SO7	Number of legal actions pending or completed in reporting period for anti-competitive behaviour and violations of anti-trust and monopoly legislation in which PPC has been identified as a participant.		No legal action was instituted during the year. PPC supports the concepts enshrined in competition law of South Africa and applies these standards in other operating regions
Material aspect: Compliance			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		82
G4-SO8	Significant fines and non-monetary sanctions for non-compliance.		85
Material aspect: Supplier assessment for impacts on society			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		120
G4-SO9	Percentage of new suppliers screened using criteria for impacts on society.		120

SPECIFIC STANDARD DISCLOSURES continued

Disclosure of management approach (DMA) and indicators			Page number (or link)
Category: Social continued			
Sub-category: Society continued			
Material aspect: Grievance mechanisms for impacts on society			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		129
G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal mechanisms.		zero
Sub-category: Product responsibility			
Material aspect: Customer health and safety			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		13
G4-PR2	Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products during their lifecycle, by outcomes.		PPC has not identified any instances of non-compliance with regulations and voluntary codes
Material aspect: Product and service labelling			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		7
G4-PR3	Type of information required by PPC's procedures for product labelling, and percentage of significant product categories subject to such requirements.		not reported
G4-PR4	Number of incidents of non-compliance with regulations and voluntary codes on product information and labelling, by type of outcomes.		zero
Material aspect: Marketing communications			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		13
G4-PR6	Sale of banned or disputed products.		not applicable
Material aspect: Customer privacy			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		13
G4-PR8	Number of substantiated complaints on breaches of customer privacy and losses of customer data.		zero
Material aspect: Compliance			
G4-DMA	Report why aspect is material, how it is managed and how the effectiveness of this approach is evaluated.		7
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services.		zero

CORPORATE INFORMATION

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JSE code: PPC

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FORWARD-LOOKING STATEMENT

This report, including statements on the demand outlook, PPC's expansion projects and its capital resources and expenditure, contains certain forward-looking views that are not historical facts and relate to other information which is based on forecasts of future results and estimates of amounts not yet determinable. By their nature, forward-looking statements involve uncertainties and the risk that these forward-looking statements will not be achieved. Although PPC believes the expectations reflected in these statements are reasonable, no assurance can be given that these expectations will prove correct. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, outcomes could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment, other government action and business and operational risks.

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