

IN PURSUIT OF SUSTAINABLE STAKEHOLDER VALUE

King IV compliance supplementary report 2019



PPC



This supplementary report is a supporting document for the 2019 integrated report. The integrated report is available at www.ppc.africa.co.za.



KING IV COMPLIANCE SUPPLEMENTARY REPORT

Confirmation

During the year ended 31 March 2019, the company was compliant in all material respects with the requirements of the Companies Act 71 of 2008 as amended (Companies Act), the Companies Act regulations, and the Listings Requirements of the Johannesburg Stock Exchange (JSE) Limited.

King Code on Corporate Governance™* 2016 (King IV)

The checklist below is a broad summary of how the principles of King IV were applied during the year. The full governance report is contained in our integrated report. The report covers the following corporate governance outcomes:

- > Ethical culture
- > Good performance
- > Effective control
- > Legitimacy

Principle	Application of the principle
Leadership, ethics and corporate citizenship	
Principle 1	Leadership
The governing body should lead ethically and effectively	<p>As part of his duties, the chairman of the board is tasked to monitor the actions and performance of the members of the board and hold them to the highest ethical standards. The directors on the board also hold one another accountable for decision-making, and for acting in a way that displays the ethical characteristics of integrity, competence, responsibility, accountability, fairness and transparency. On appointment, individual directors are contractually placed under the obligation to comply with the ethical standards of PPC.</p> <p>The board's social, ethics and transformation (SET) committee annually reviews the group's code of ethics, and all directors declare their personal interests annually. In addition, interests which may be apparent at the commencement of meetings are declared at the onset of these meetings.</p> <p>The board and its committees continually demonstrate ethical and effective leadership and promote the group's values, culture and business behaviours.</p>
Principle 2	Organisation values, ethics and culture
The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	<p>The board discharges its roles and responsibilities in terms of the board charter, with due regard to the values that support the central tenets of the PPC group.</p> <p>The board has mandated the SET committee to oversee the establishment and monitoring of the code of ethics and to promote high-ethical behaviour. The board is supported by the group company secretary, who acts as the formal custodian of the group's code of ethics.</p> <p>The group has reviewed and relaunched its values, RE-PPC, which are:</p> <p>R – We always do the right thing. We hold each other accountable and always act with integrity</p> <p>E – We strive for excellence in all we do</p> <p>P – Our people, our strength</p> <p>P – We have passion for winning</p> <p>C – We are customer focused</p> <p>These values were clearly articulated with behaviours descriptors and communicated to all employees throughout the company via roadshows. Subsequent to the relaunch of values, the group reintroduced the PPC code of conduct. The employees participated in the design of the code of conduct, and were critical in the development of a framework encompassing the six-pledge statement. For more information, refer to our integrated report and our people supplementary report, available on our website.</p>

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KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

Principle	Application of the principle
Leadership, ethics and corporate citizenship continued	
Principle 3	Responsible corporate citizenship
<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The board has delegated to the SET committee the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship.</p> <p>For PPC, it is imperative to deliver on the South African transformation agenda and to fulfil its legal and moral obligations as a good corporate citizen in the jurisdiction in which it operates. During the year under review, the Department of Mineral Resources published and gazetted the 2018 mining charter. PPC complies with the ownership element of the mining charter and, therefore, the broad-based black economic empowerment (BBBEE) transaction announced during 2018 was suspended. For more information, refer to the SET committee report included in our integrated report.</p>
Strategy, performance and reporting	
Principle 4	Strategy, implementation and performance
<p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p>	<p>The board monitors and approves the group's corporate strategy and business plans, including those of the operating units across the geographic regions in which PPC operates. Once a year, the board sets up and attends the strategic workshop with management to deliberate on the strategic objectives of the business.</p> <p>In determining our strategy, the board considers the six capitals – including financial capital, manufactured capital and human capital, which informed our four strategic pillars, being financial, operational, human capital and customers. The board is assisted by the audit, risk and compliance (ARC) committee to review the key risks and opportunities impacting the strategic objectives. For more information on our material matters and risks, refer to our integrated report.</p> <p>The board is also assisted by the investment committee in reviewing the financial parameters and inputs included in the business plans.</p> <p>The board retains ultimate responsibility for providing the strategic direction for the group, setting the risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.</p>
Principle 5	Reports and disclosure
<p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects</p>	<p>We refer to the group's integrated report that presents material information in an integrated manner, and provides users with a holistic, clear, concise and understandable presentation of the group's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.</p> <p>The board is assisted by the ARC committee in reviewing and approving the integrated report, along with the audited annual financial statements.</p> <p>The report is prepared in line with recognised local and international guidelines, including International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, the Companies Act, as well as the principles contained in King IV and the JSE Listings Requirements.</p>

KING IV COMPLIANCE

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Principle	Application of the principle
Governing structures and delegation	
Principle 6	Role of the governing body
<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The board's roles and responsibilities are articulated in the board charter which is reviewed annually. The board is the focal point and custodian of corporate governance, both in terms of how its roles and responsibilities are documented and the way it executes its duties and responsibilities.</p> <p>The board has also set up various board sub-committees that assist with the discharge of its responsibilities. These committees function under their statutory and management mandates and approved terms of references.</p>
Principle 7	Composition of the board
<p>The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>The board, with the assistance of the nominations committee, considers, on an annual basis, its composition in terms of balance of skills, experience, diversity, independence and knowledge, and whether this enables it to effectively discharge its role and responsibilities.</p> <p>The capacity of each director is categorised as defined in the Companies Act, JSE Listings Requirements, also taking into consideration King IV and other factors as outlined in the board charter. The board comprises a majority of independent non-executive directors.</p> <p>For more details regarding composition of the board, assessment of independence and the gender diversity policy, refer to our corporate governance review included in our integrated report.</p>
Principle 8	Committees of the board
<p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>	<p>The following five committees assist the board with the discharge of its duties and responsibilities:</p> <ul style="list-style-type: none"> > ARC committee > Nominations committee > Remuneration committee > SET committee > Investment committee <p>The committees operate in accordance with written terms of reference which are reviewed and approved by the board annually. The committees are appropriately constituted and members are appointed by the board, with the exception of the ARC committee, whose members are annually nominated by the board and elected by shareholders at the annual general meeting.</p> <p>Additional information on the board committees can be found in the corporate governance overview included in the integrated report.</p>
Principle 9	Evaluations of performance of the board
<p>The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	<p>Formal assessment of the effectiveness of the board, board committees, chairman, directors and group company secretary are conducted annually and biannually by an independent assessor. The chairman of the board, through the nominations committee and assisted by the company secretary, leads the evaluation process. The performance of the board, its committees and the directors are disclosed in the integrated report.</p> <p>The role and responsibilities of the board, its committees, the chairman and directors are outlined in the board charter and committee terms of references, which are available on the company's website.</p>

KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

Principle	Application of the principle
Governing structures and delegation continued	
Principle 10	Appointment and delegation to management
<p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>While the board retains accountability towards the company, it has delegated authority to the group chief executive officer (CEO) to run the company on a day-to-day basis. In addition, the board charter indicates matters reserved for the board and those delegated to management. The delegation of authority framework sets out the authority limits and governs sub-delegation within the group. The framework also prescribes the authority levels of each of the geographies and subsidiaries in which the group operates.</p>
Principle 11	Risk and opportunity governance
<p>The governing body should govern risk and opportunity in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives</p>	<p>The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility by providing strategic direction, setting risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.</p> <p>The group's risk management framework describes the group's approach to risk and opportunity management. Effective risk management requires multiple points of control or safeguards that should be applied consistently at various levels throughout the organisation.</p> <p>The primary board committee overseeing risk matters across the group is the ARC committee. The committee delegates to management the responsibility to continuously identify, assess, mitigate and manage risks and opportunities within the existing and ever-changing risk profile of the group's operating environment. Mitigating controls are formulated to address the risks and the board is kept up-to-date on progress on the risk management plan.</p>
Principle 12	Technology and information governance
<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<p>The board is aware of the importance of technology and information as it is inter-related to the strategy, performance and sustainability.</p> <p>The ARC committee is responsible for overseeing information and technology (IT) governance in accordance with King IV, and ensures the effectiveness and efficiency of the group's information systems as required by the group.</p> <p>The ARC committee is assisted by the IT governance committee, led by management, to advise on governing technology and information in a way that supports the group setting and achieving its strategic objectives.</p>

KING IV COMPLIANCE

SUPPLEMENTARY REPORT continued

Principle	Application of the principle
Governing structures and delegation continued	
Principle 13	Compliance governance
<p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</p>	<p>The board is responsible for the group's compliance with applicable laws. The board is assisted by the ARC committee in monitoring compliance, whose mandate is to ensure full compliance with all statutes and regulations. To achieve this, the committee oversees the implementation of appropriate structures, policies, processes and procedures to identify regulatory and supervisory risks.</p> <p>The responsibility of implementing compliance has been delegated to management.</p> <p>The SET committee assists the board with ensuring responsible business practices within the group and monitors the group's activities in line with section 71 of the Companies Act.</p>
Principle 14	Remuneration governance
<p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</p>	<p>PPC endeavours to remunerate fairly, responsibly and transparently to promote the creation of value in a sustainable manner. The remuneration report and policy is set out in the integrated report.</p> <p>A non-binding advisory vote on the remuneration policy is tabled at the annual general meeting and has been duly approved by shareholders in prior years. A non-binding advisory vote on the remuneration implementation report is included in the notice of annual general meeting for shareholder approval.</p> <p>The board will continue to encourage regular dialogue with shareholders to create and maintain a mutual understanding of what performance and value creation for the group constitutes for the purpose of evaluating the remuneration policy.</p> <p>The remuneration committee is tasked by the board to independently approve and oversee the implementation of the shareholder supported remuneration policy that will encourage the achievement of the company's strategy and grow stakeholder value sustainably.</p>
Principle 15	Assurance
<p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</p>	<p>Formal enterprise-wide governance structures for enhancing the practice of combined assurance at group and subsidiary levels are overseen by the ARC committee. The assurance providers in this model include group internal audit, senior management and external auditors.</p> <p>The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and capital management processes.</p>

KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

Principle	Application of the principle
Stakeholder relationships	
Principle 16	Stakeholders
<p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time</p>	<p>During the year, the SET committee approved a comprehensive stakeholder management framework.</p> <p>The board, through the SET committee, considers issues around stakeholder perceptions. The committee has oversight of stakeholder engagement and management. Through regular reporting by management to the committee, and the chairman of the committee to the board, the board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.</p> <p>The company has identified its stakeholder groups through a broad process of internal evaluation. These include:</p> <ul style="list-style-type: none"> > Government and regulators > Shareholders and analysts > Employees > Customers > Suppliers > Communities and civil society <p>The group endeavours to balance its stakeholders' legitimate and reasonable needs, interests and expectations.</p> <p>For more information on our engagement with stakeholders, refer to our integrated report.</p>
<p>Relationships within a group of companies</p>	<p>The board is the custodian of corporate governance across the group and sets the direction for how the relationship and exercise of power for the group will be approached and conducted.</p> <p>Group policies are developed and implemented at group and subsidiary levels. In cases where policies are required to address specific needs of business units and their stakeholders, these are developed and applied at business unit level with appropriate group oversight through the group executive committee.</p> <p>The delegation of authority resolution is signed by the board and reviewed regularly.</p> <p>The group's risk governance framework is set out in the group's business performance and risk management framework.</p>

