

**KING IV COMPLIANCE
SUPPLEMENTARY REPORT 2020**

**DRIVING
PERFORMANCE TO
SUSTAIN OUR
PURPOSE**



PPC

This supplementary report is a supporting document to the FY20 integrated report. The integrated report is available at www.ppc.africa.co.za.



We encourage feedback on our integrated reporting suite. Kindly direct feedback to the Group Company secretary, Ms Kristell Holtzhausen, kristell.holtzhausen@ppc.co.za on +27(11) 386 9000.

Details for obtaining copies of the integrated report from the PPC Group Company secretary can be found on the inside back cover of the integrated report.

KING IV COMPLIANCE SUPPLEMENTARY REPORT

CONFIRMATION

During the year ended 31 March 2020, the company was compliant in all material respects with the requirements of the Companies Act 71 of 2008, as amended (Companies Act), its regulations and the Listings Requirements of the Johannesburg Stock Exchange Limited (JSE) and the Zimbabwean Stock Exchange (ZSE).

KING CODE ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 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
<p>The governing body should lead ethically and effectively</p>	<p>As part of his duties, the chair 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 Limited (the company, or the Group).</p> <p>The board's social, ethics and transformation committee (setco) 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
<p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<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 Group.</p> <p>The board has mandated setco 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 continued to live and strengthen 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> 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

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

The board has delegated the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship to social, ethics and transformation committee (setco).

For PPC, it is imperative to deliver on the South African transformation, diversity and gender equality 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, setco considered PPC's black economic empowerment (BEE) strategy and roadmap, and revised the internal BEE structure. The requirements of the 2018 mining charter have been considered and setco undertook to propose a strategy to ensure compliance with the scorecard as outlined in the mining charter on promulgation.

A complete policy and process review project was embarked on during the fourth quarter of 2019 and is planned to be finalised during FY21. Various policies were approved for the South African regulatory environment and, where applicable, were rolled out to subsidiary companies for tailoring to be country-specific. The aim to simplify and standardise will remain the FY21 mantra.



For more information, refer to the setco reports included in our integrated report and environment and social supplementary report.

STRATEGY, PERFORMANCE AND REPORTING

PRINCIPLE 4

STRATEGY, IMPLEMENTATION AND PERFORMANCE

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

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.

In determining the three-year strategy, the board considers the six capitals which informed our strategic value drivers, being purpose and corporate social responsibility, customers, people, process excellence, governance and compliance and financial performance. The board is assisted by the audit, risk and compliance committee (ARCC) 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.

The board is also assisted by the strategy and investment committee (SI&C) in reviewing the financial parameters and inputs included in the business plans.

PRINCIPLE 5

REPORTS AND DISCLOSURE

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

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.

The board is assisted by the ARCC in reviewing and approving the integrated report, along with the audited annual financial statements.

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.

KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

PRINCIPLE	APPLICATION OF THE PRINCIPLE
GOVERNING STRUCTURES AND DELEGATION	
PRINCIPLE 6	ROLE OF THE GOVERNING BODY
The governing body should serve as the focal point and custodian of corporate governance in the organisation	<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 committees that assist with the discharge of its responsibilities. These committees function under their statutory and management mandates and approved terms of references.</p> <p>The board, with assistance from ARCC, will review the governance framework to incorporate the international companies over which the company has management control. The aim is to implement a Group governance framework which is supported by a combined assurance framework to provide the necessary comfort to the board that the Group is governed from the same holistic platform.</p>
PRINCIPLE 7	COMPOSITION OF THE BOARD
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>The board, with assistance of the nominations committee (nomco), considers, on an annual basis, its composition in terms of balance of skills, experience, race and gender 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, the JSE Listings Requirements and 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 (NEDs).</p> <p> <i>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.</i></p>
PRINCIPLE 8	COMMITTEES OF THE BOARD
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>The following five committees assist the board with the discharge of its duties and responsibilities:</p> <ul style="list-style-type: none">> ARCC> Nomco> Remuneration committee (remco)> Setco> S&IC <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 ARCC, whose members are nominated annually by the board and elected by shareholders at the annual general meeting (AGM).</p> <p> <i>Additional information on the board committees can be found in the corporate governance overview, included in our integrated report.</i></p>

KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

PRINCIPLE	APPLICATION OF THE PRINCIPLE
GOVERNING STRUCTURES AND DELEGATION <small>continued</small>	
PRINCIPLE 9	EVALUATIONS OF PERFORMANCE OF THE BOARD
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>Formal assessment of the effectiveness of the board, board committees, chair, directors, Group chief executive officer (CEO), Group chief financial officer (CFO) and Group company secretary are conducted annually and biannually by an independent assessor. The chair of the board, through nomco and assisted by the Group 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 chair and directors are outlined in the board charter and committee terms of references, which are available on the company's website.</p> <p>Formal assessment of the effectiveness of the international subsidiaries, in which PPC has management control, will be conducted during FY21. The following will be assessed: the boards, board committees, chairs, directors, managing directors and company secretaries.</p>
PRINCIPLE 10	APPOINTMENT AND DELEGATION TO MANAGEMENT
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>While the board retains accountability of the company, it has delegated authority to the 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 was replaced with a newly approved delegation of authority, which 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
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>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 and ensuring that risks are adequately identified, measured, monitored, managed and reported on.</p> <p>The Group's risk management framework was reviewed during the year and describes the Group's amended 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 ARCC. The ARCC 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 and improvements thereto.</p>

KING IV COMPLIANCE SUPPLEMENTARY REPORT continued

PRINCIPLE	APPLICATION OF THE PRINCIPLE
GOVERNING STRUCTURES AND DELEGATION <small>continued</small>	
PRINCIPLE 12	TECHNOLOGY AND INFORMATION GOVERNANCE
The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	<p>The board is aware of the importance of technology and information as it is inter-related to strategy, performance and sustainability.</p> <p>The ARCC 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 ARCC is assisted by the IT steering committee, led by management, which advises on governing technology and information in a way that supports the Group in setting and achieving its strategic objectives.</p>
PRINCIPLE 13	COMPLIANCE GOVERNANCE
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>The board is responsible for the Group's compliance with applicable laws. The board is assisted by the ARCC in monitoring compliance, whose mandate is to ensure full compliance with all statutes and regulations. To achieve this, the ARCC oversees the implementation of an appropriate compliance framework, policies, processes and procedures to identify regulatory and supervisory risks.</p> <p>A revised combined assurance framework has been approved by the committee and will be implemented during FY21.</p> <p>Setco 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
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>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 AGM 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 AGM 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>Remco 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
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>Formal enterprise-wide governance structures for enhancing the practice of combined assurance at Group and subsidiary levels are overseen by the ARCC. 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, aims to 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, setco approved a comprehensive stakeholder management framework.</p> <p>The board, through setco, considers issues around stakeholder perceptions. setco has oversight of stakeholder engagement and management. Through regular reporting by management to the committee, and the chair 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, analysts and lenders > Employees > Customers > Suppliers > Communities and civil society <p>The Group endeavours to balance its stakeholders' legitimate and reasonable needs, interests and expectations.</p> <p> <i>For more information on our engagement with stakeholders, refer to our integrated report.</i></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>

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