

IMPLATS  
Distinctly Platinum



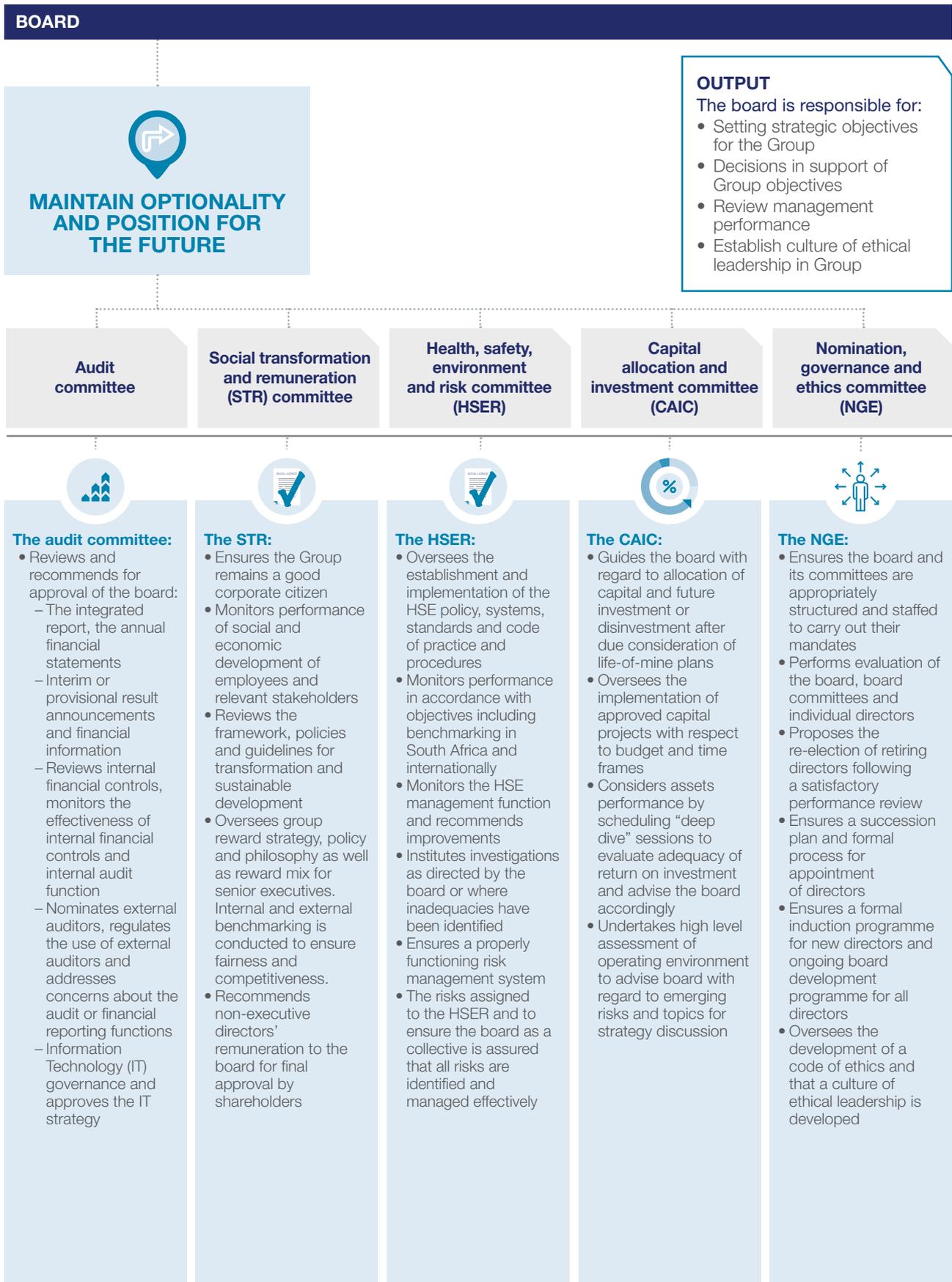
Annual Integrated  
Report 2017

# Corporate governance





# Corporate governance and Group strategies in perspective



At Implats, we are committed to good corporate governance beyond codes, frameworks and principles to ensure that we deliver on corporate strategy in order to create value for all stakeholders in a sustainable way. The board is the focal point for governance and it achieves this assisted by its committee structures and management.



<sup>^</sup> Available on [www.implats.co.za](http://www.implats.co.za).

\* Will be available on [www.implats.co.za](http://www.implats.co.za) on 14 September 2017.



## EXCO

### Improve efficiencies through operational excellence

For KPI targets refer to individual operations performance from page 66 to 107

## Chairman's statement on corporate governance

In the normal course of business and even more so in challenging times, the board of directors believes it is imperative that the Company maintains the highest standards of good governance in all facets of its operations, in order to promote quality decision-making and the execution of those decisions within a disciplined framework of policies, procedures and authorities.

Among others, this entails ensuring an environment where roles and responsibilities are clearly defined, forums that are conducive to robust debate, and where performance is regularly reviewed. Our efforts in this regard are described over the next number of pages.

The Implats board is committed to providing effective leadership to the Group and fully embraces the principle of ethical leadership in setting and implementing Implats' strategy guided by the principles of the King IV Code on

Corporate Governance (King IV), the Companies Act, 2008, the JSE Listings Requirements and all other applicable laws, standards and codes. A compliance schedule can be found at [www.implats.co.za](http://www.implats.co.za).

In addition, the board takes full responsibility for the management, direction and performance of the Group by exercising independent judgement on all issues reserved for its review and approval while taking cognisance of the needs of all stakeholders.

We continually work to maintain and develop this framework to ensure that we make and execute good decisions that are in the interest of Implats, its shareholders and other stakeholders.

**Dr Mandla SV Gantsho**  
*Chairman*

## Board profiles



### Independent non-executive directors

**Mandla Gantsho** 55 – Chairman  
*BCom (Hons), CTA, CA(SA), MSc, MPhil, PhD*

**Experience**  
 Appointed in November 2010. Held senior executive positions in public and private sector organisations, including vice-president for infrastructure at the African Development Bank, CEO and MD of the Development Bank of Southern Africa. A former non-executive director of the SARB and Ithala Development Finance Corporation. Currently the chairman of Africa Rising Capital and Sasol Limited.

**Babalwa Ngonyama** 42  
*BCompt (Hons), CA(SA), MBA*

**Experience**  
 Appointed in November 2010. She is the founding chairman of the African Women Chartered Accountants (AWCA). She is CEO of Sinayo Securities and also serves as a non-executive director on the boards of Barloworld Limited, Hollard Life Assurance Company, Clover Industries Limited, Group Five Limited and Aspen Pharmacare Holdings.

**Hugh Cameron** 66  
*BCom, BAcc, CA(SA)*

**Experience**  
 Appointed to the board in November 2010 as an independent non-executive director and he was previously a partner at PricewaterhouseCoopers where he specialised in mining and headed up their global mining practice for a number of years. He is a director of Calgro M3 Holdings and a trustee of the Sishen Iron Ore Company Community Development Trust.

**Mpho Nkeli** 52  
*BSc Environmental Studies, MBA*

**Experience**  
 Appointed in April 2015. Previously director of Alexander Forbes, Vodacom SA, African Bank and Chairperson of the Commission for Employment Equity. She is currently a director of Search Partners International, and an independent non-executive director of Life Healthcare.

**Peter Davey** 64 (British)  
*BSc (Hons) Mining Engineering*

**Experience**  
 Appointed to the board in July 2013 as an independent non-executive director. He was previously a resource analyst at various investment banks in the United Kingdom and he also has extensive production experience in the South African gold and platinum mining industry.

**Bernard Swanepoel** 56  
*BSc Mining Engineering and BCom (Hons)*

**Experience**  
 Appointed in March 2015. Non-executive chairman of Village Main Reef, and serves as a non-executive director of Sanlam and African Rainbow Minerals.



For detailed biographies of the board go to  
<http://www.implats.co.za/implats/Board-of-directors.asp>



#### **Alastair Macfarlane** 66 (British)

*MSc Mining Engineering*

##### **Experience**

Appointed in December 2012. Extensive experience in senior and executive management positions in the mining industry, consults to many mining companies within the sector locally and internationally. Is a visiting senior lecturer at the University of the Witwatersrand; is chairman of the South African Mineral Asset Valuation Committee (SAMVAL) and chairs the international Mineral Asset Valuation Committee (IMVAL).

#### **Non-executive director**

#### **Udo Lucht** 40

*BCom (Hons), CA(SA), CFA*

##### **Experience**

Appointed in August 2017 as a non-executive director representing Royal Bafokeng Holdings (Pty) Limited (RBH) and he was previously an alternate director to Ms Albertinah Kekana. He is currently head of Portfolio at RBH.

#### **Sydney Mufamadi** 58

*MSc and PhD Oriental and African Studies*

##### **Experience**

Appointed in March 2015. Director of various subsidiary boards of Barclays Bank Africa Group in Mozambique and Tanzania, director of the School of Leadership at the University of Johannesburg. Chairman of Zimplats Holdings Ltd.

#### **Executive directors**

#### **Brenda Berlin** 52

*BCom, BAcc CA(SA)*

##### **Experience**

Appointed to the board in February 2011. Joined the company in 2004 as commercial executive before being appointed as Group chief financial officer.

#### **Nico Muller** 50 – CEO

*BSc Mining Engineering*

##### **Experience**

Appointed to the board on 3 April 2017 as chief executive officer and executive director.

## Remuneration linked to stakeholders and strategy

A comprehensive annual remuneration report will be published in the notice to shareholders as part of the Group's governance requirements.

### Introduction

Although King IV is only effective for financial years starting on or after 1 April 2017 and the practice notes for Principle 14 on Remuneration Governance have not been published at the time of producing this report, Implats is pleased to note that it has followed many of the King IV Principle 14 guidelines in the presentation of the report. Implats will continue to implement the King IV guidelines during the next financial year and report on such in the next integrated annual report.

The remuneration policy impacts the Group on many levels. This policy links remuneration to employee KPIs and it assists in the achievement of its stated operational strategy and risk management. It contributes towards Implats being a good corporate citizen in cementing its social licence to operate from an organised labour and employee perspective.

This report provides an overview of the Implats remuneration policy and broad principles. Although the board of Implats, is ultimately responsible for the Group's remuneration philosophy and the application thereof, the board has delegated its duties and obligation of remuneration, governance, skills attraction and retention, succession planning, disclosure, benefits, broad terms and conditions of employment and performance conditions to the social transformation and remuneration committee (STRcom).

This report focuses on executive and senior management remuneration and benefits. The variable component of remuneration is, in turn, linked to and are reliant on the performance of all employees within the Group. The STRcom has carried out its mandate while appreciating and promoting the importance of our people to the continued value creation, social responsibility and sustainability of the group.

### Remuneration governance

The STRcom reports to the board on their proceedings and attends the annual general meeting of Implats to respond to any questions from shareholders regarding the committee's areas of responsibility.

The Group utilised the services of independent remuneration specialists in different capacities during the past financial year to benchmark remuneration elements and practices against external comparatives and to advise on remuneration policy.

### Remuneration committee

The committee consists of three independent non-executive directors which include an independent chairperson.

The CEO, the human resource executive, the executive responsible for talent management and a remuneration adviser are permanent invitees to the meetings. The STRcom met four times during 2017 and the membership for the period under review was as follows:

M Nkeli (Chairperson)  
MSV Gantsho  
B Ngonyama

### Remuneration policy

The Group's overall remuneration philosophy is designed to ensure that remuneration is competitive and sustainable. It strives to reward employees fairly and recognises their contribution to the Group's operating and financial performance in line with its corporate objectives and strategy. This clear and transparent design ensures internal and external equity through the alignment of conditions of employment and remuneration for all employees in an evolving regulatory and statutory environment. In support of our Employee Value Proposition (EVP) the Group ensures an appropriate remuneration mix aligned with the principles of equity, implemented with due regard for varying performance levels.

At the last AGM in October 2016, the shareholder support for the Group's remuneration policy declined to 74% (94% in 2015). The feedback from the shareholders was submitted to the committee and the concerns raised primarily related to the long-term incentive plan (LTIP). The concerns were about the comparator group, the performance measures and the early vesting of the CEO's conditional shares on resigning from the Group.

As disclosed in last year's report, the CEO decided not to take his earned bonus for 2015 due to the financial constraints facing the industry. Instead the amount was converted into Implats shares, which vest the earlier of September 2018 or resignation. In addition to the shares the CEO received for forgoing his bonus, his earned retention payment was also converted into Implats shares and the vesting thereof postponed to be delivered equally over three years or on resignation if earlier. Considering that the CEO had voluntarily elected to effectively defer the payment of amounts to him that had been earned, the STRcom deemed it reasonable to provide for accelerated vesting on resignation.

The remuneration review, which is still a work in process, spans the South African operations and includes policy, job grading/sizing, benchmarking, guaranteed remuneration, short-term and long-term incentives.

The remuneration policy aims to:

- Ensure fairness and a sustainable minimum wage
- Promote and ensure compliance with an evolving regulatory environment, with a specific emphasis on the long-term sustainability of the Group
- Ensure alignment of the interests of the Company's board and management with that of our stakeholders

- Attract and retain talent at all levels
- Encourage employee behaviour that is goal-orientated and consistent with the Group's vision and values
- Set remuneration levels that is consistent with emerging governance frameworks on executive and non-executive compensation by conducting regular benchmarking exercises against internal and external comparatives

**Remuneration structure**

**Guaranteed remuneration:**

The guaranteed package includes basic salary and employee benefits. Guaranteed packages are market related and are based on the complexity of the role and the employee's personal performance and contribution to the Group's overall performance.

Element		Intent	Policy application
<b>Guaranteed remuneration</b>	Basic salary	To attract and retain employees and to ensure internal equity and external competitiveness.	Our standard is to match the market in terms of the broad talent pool, but lead in areas of critical appointments, talented individuals, select equity candidates and top performers. Pay levels are also influenced by increases for the rest of the workforce, inflation and costs.
	Benefits	To ensure external competitiveness and advance employee wellness, engagement and effectiveness.	Employees are contractually obliged to belong to approved medical and retirement funds inclusive of death and disability cover. Contributions are made by both the company and the employee.
	Optional benefits and allowances	To assist with productivity, ensure legislative compliance and retention of skills.	Some of these benefits are elective while some are in line with statutory requirements.
<b>Variable remuneration</b>	Short-term incentives	Key performance indicators (KPIs) alignment with operational and Group financial and non-financial performance, more specifically: <ul style="list-style-type: none"> <li>• driving safety, health, environment and community (SHEC)</li> <li>• performance and delivery on volume, value, quality, cost, capital and cash flow (VVQ3C)</li> <li>• personal KPIs</li> </ul>	Subject to the achievement of performance measures, and committee approval employees are paid annually and/or six-monthly.
	Long-term incentives	Alignment with shareholders' interests, Group performance and attraction and retention objectives.	Incentives are awarded to eligible employees annually in line with the approved remuneration mix. Vesting depends on achievement of performance conditions. The structure and scheme rules are reviewed regularly to ensure alignment with the intent.
	Employee ownership	Alignment with shareholders' interests, Group performance, retention objectives and statutory requirements.	Employee ownership plans with benefits for category A – C level employees' predominantly historically disadvantaged South Africans (HDSAs).

 **Refer to operation's individual KPI performance targets from pages 66 to 107**

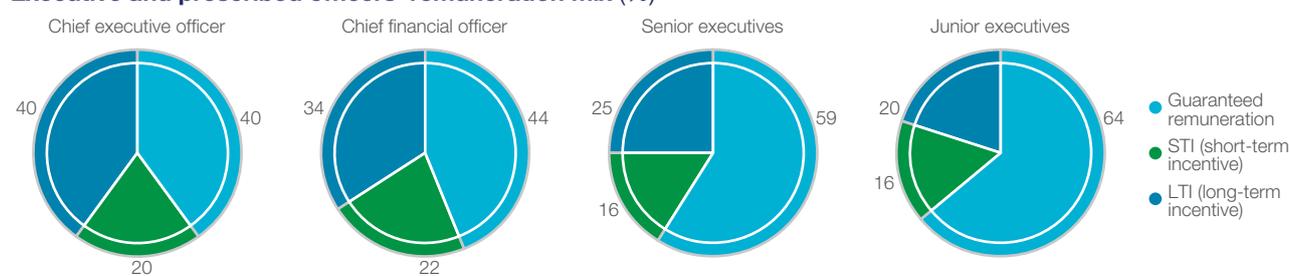
 **Refer to page 56**

## Remuneration linked to stakeholders and strategy

### Remuneration mix

The ratios within the remuneration mix are structured for the various structural levels of the organisation. The approved remuneration mix for the top layer of the organisation is set out in the table below (these are the same as for last year).

#### Executive and prescribed officers' remuneration mix (%)



### Short-term incentives (STI)

Further to the intent of the STI referred to above, the mix of the KPIs for the different levels of management is set out below:

#### Senior/Junior executives

KPI	CEO	CFO	Group support	Services	Production
SHEQ	40	30	30	35	40
WQ3C	40	30	30	35	40
Personal	20	40	40	30	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
(Total expressed as % of overall remuneration)	20	22	16	16	16

Refer to operation's individual KPI performance targets from pages 66 to 107

### Executive remuneration and KPIs – performance

#### Guaranteed remuneration

The STRcom for 2017 approved an average increase of 5%, with an additional 1% for critical skills, market alignment, retention and/or exceptional performers.

#### Variable remuneration

##### Short-term incentives (STI)

The STRcom reviewed both the mix and the weightings of the KPIs in the STI and were satisfied that they remain unchanged for 2017. The performance targets are derived from the business plan, set and assessed annually per business unit and for the Group as a whole.

Annual payments in terms of the STI are approved and paid after the year end. Accordingly the on-target percentages are depicted below for both 2016 and 2017. The 2017 achievements will be reported in the 2018 remuneration report. The annual payments in terms of the short-term incentive scheme approved by the STRcom for the 2016 financial year was R31.0 million out of a possible R57.4 million for on-target performance.

Employee category	On-target bonus 2017	On-target bonus 2016	Achieved bonus 2016
Chief executive officer	20%	35%	10%
Chief financial officer	22%	25%	16.5%
Senior executives	16%	16%	8.98%
Junior executives	16%	16%	8.69%

Refer to operation's individual KPI performance targets from pages 66 to 107

*Long-term incentives (LTI)*

The long-term incentive plan approved by shareholders' in 2012 envisaged both conditional share plan (CSP) rights and share appreciation (SAR) rights for executive management. The CSPs are awarded as fully paid shares at the end of a three-year vesting period, subject to the performance measure being met. The measure (aligned with shareholders' interests being total shareholders return relative to peers) was not met and none of these shares vested in November 2016.

The SARs are awarded as a number of conditional shares (subject to performance conditions) but with value being determined based on the appreciation of the share price from the date of award to the date of exercise. These performance conditions are a mixture of three shareholders'-related interests (total shareholder return, EBITDA margin and safety) and 30% vested in November 2016 at an award share price of R135 per share.

*Other long-term incentives – employee ownership plans*

In terms of the Impala Employee Ownership Plan, no dividends were declared during the year and thus no benefits accrued to employees.

**Non-executive directors' remuneration**

Fee structures for remuneration of board and sub-committee members are recommended to the board by the STRcom, reviewed annually and approved by shareholders at the AGM. The review addresses market comparisons of fees and company performance.

Directors' fees in aggregate for serving on the board and committees for the year under review were as follows:

(R'000)	Board	Audit committee	Health, safety, environment and risk committee	Nominations, governance and ethics committee	Social, transformation and remuneration committee	Capital allocation and investment committee	Ad hoc meetings	Total
HC Cameron	354	354	—	—	—	116	32	<b>856</b>
PW Davey	354	167	—	116	—	116	32	<b>785</b>
MSV Gantsho	1 820	—	—	—	—	—	—	<b>1 820</b>
A Kekana	354	—	—	116	—	116	16	<b>602</b>
AS Macfarlane	354	—	279	—	—	—	—	<b>633</b>
ND Moyo	354	—	125	—	—	116	16	<b>611</b>
FS Mufamadi	354	—	—	116	—	—	—	<b>470</b>
B Ngonyama	354	167	—	—	125	—	16	<b>663</b>
MEK Nkeli	354	167	125	—	279	—	16	<b>942</b>
ZB Swanepoel	354	—	125	—	—	257	—	<b>736</b>

For 2018, an increase of 6% is proposed to be recommended by the board for approval by shareholders at the AGM.

A comprehensive annual remuneration report will be published in the notice to shareholders as part of the Group's governance requirements.

# King IV

The Institute of Directors in Southern Africa NPC released the King IV Report on Corporate Governance for South Africa, 2016 (King IV) on 1 November 2016, which is effective for financial years from 1 April 2017. Implats has adopted the new code and this report therefore addresses all the principles of King IV, save for principle 17 as this relates to institutional investor companies.

King IV principle	Implats response
<b>LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP</b>	
<b>Leadership</b>	
<p><b>1. The governing body should lead ethically and effectively</b></p>	<p>Implats is committed to maintaining the highest standards of good governance in order to promote quality decision-making and the execution of those decisions</p> <p>It ensures that roles and responsibilities are clearly defined and performance is robustly reviewed on a regular basis</p> <p>The directors recognise that sound corporate governance practices effect value creation for all stakeholders</p>
<b>Organisational ethics</b>	
<p><b>2. Govern the ethics of the organisation in a way that supports the establishment of an ethical culture</b></p>	<p>The board has adopted a code of ethics supported by a number of policies to acillitate the establishment of an ethical organisational culture</p> <p>A revised code of ethics was approved and adopted by the board in November 2015. It has been rolled out electronically to all senior management and the remaining employees are familiarised with the policy when inducted. Suppliers are required to sign acknowledgement of the code when contracting with Implats' operations</p> <p>The code of ethics and other related policies (such as the anti-fraud and corruption policy) are published on both the intranet and the Group's website: <a href="http://www.implats.co.za">www. implats.co.za</a></p> <p>The adherence to the code of ethics is overseen by the nomination, governance and ethics committee and adherence thereto is monitored by all sub-committees of the board in their areas of responsibility</p> <p>The delegation of authority manual (the approval framework) is approved by the board on an annual basis. This manual is designed to ensure all employees are aware of their contractual and transactional limits.</p> <p>Implats maintains a register of director interests, which is updated on an ongoing basis and is reviewed by the chairman and Company secretary regularly. Each quarter, at the beginning of the board meeting, the chairman actively reminds members to also consider agenda items on which they may be conflicted and to recuse themselves in these circumstances</p> <p>All employees are required to seek approval for other business interests and gifts received or given on the Implats electronic declaration system. The ethics office monitors, on an ad hoc basis, adherence to the ethics code and provides guidance on the application of the code</p>
<b>Responsible corporate citizenship</b>	
<p><b>3. Ensure that the organisation is and is seen to be a responsible corporate citizen</b></p>	<p>Being a responsible corporate citizen (maintaining our social licence to operate) is a key pillar of our strategy. Given the broad scope of our initiatives in this area, oversight vests with two board sub-committees, namely the social, transformation and remuneration committee and the health, safety, environment and risk committee. For the activities of these committees, please refer to pages 110 and 111. Our historical performance in each focus area is detailed for each operation on pages 66 to 107 and our targets for 2018 (KPIs) for each area is similarly set out on pages 62 to 107.</p>

King IV principle	Implats response
<b>STRATEGY, PERFORMANCE AND REPORTING</b>	
<b>Strategy and performance</b>	
<p><b>4. 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</b></p>	<p>Every year, the board robustly interrogates the Group's purpose, risks and opportunities, strategy and business model with due consideration to all the capitals</p> <p>With reference to the above, management is tasked with the formulation of a business plan including key performance measures and targets, which are then approved by the board</p> <p>Every quarter the board actively monitors performance against all the targets in acknowledgement that the outcomes for all the capitals are connected for value creation</p>
<b>Reporting</b>	
<p><b>5. 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</b></p>	<p>In developing our integrated report, we are guided by the International Integrated Reporting Framework and King Report on Corporate Governance.</p> <p>The report includes information about the basis of preparation, organisational overview, Implats' strategy, governance practices, performance and prospects in the context of its external environment and how this leads to value creation over the short medium and long term.</p> <p>Implats' approach to overall external reporting, determining materiality and its reporting boundaries and our overall assurance model are detailed on pages 3 and 2 respectively</p>
<b>Primary roles and responsibilities of the governing body</b>	
<p><b>6. The governing body should serve as the focal point and custodian of the corporate governance in the organisation</b></p>	<p>The Implats board has an approved charter, which is reviewed as and when required. On an annual basis the board assures itself that it has discharged its responsibilities in terms of the charter. It approves charters for each of its sub-committees, who in turn discharge their responsibilities</p> <p>The meetings held during the year and the attendance thereof for each director are disclosed in the notice to shareholders on page 7</p> <p>Board members are entitled to seek independent professional advice at the expense of the Company on any matter related to the Company's business subject to approval by either the chairman of the board or sub-committee as may be the case</p>
<b>Composition of the governing body</b>	
<p><b>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</b></p>	<p>The board supports independence and diversity of directors and its composition is disclosed on page 9 of this report.</p> <p>The notice to shareholders sets out, amongst other things, appointment, induction, training and evaluation processes</p> <p>The NGE committee is responsible for making sure there is a succession plan for the board</p>
<b>Committee of the governing body</b>	
<p><b>8. 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</b></p>	<p>The board, assisted by the nominations governance and ethics committee, ensures that it has sufficient members of requisite skill to populate its sub-committees. Each committee is guided by a board approved terms of reference that deals with the committee's purpose and membership requirements. Details of each sub-committee and their responsibilities are set out on pages 110 and 111 of this report</p>

# King IV

King IV principle	Implats response
<b>STRATEGY, PERFORMANCE AND REPORTING</b> (continued)	
<b>Evaluation of the performance of the governing body</b>	
<p><b>9. The governing body 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</b></p>	<p>The board's evaluation process, including the areas of focus is set out in the notice to shareholders</p>
<b>Appointment and delegation to management</b>	
<p><b>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities</b></p>	<p>The NGE committee recommends and the board approves the appointment of the CEO and CFO. The STR committee approves the appointment of other executive committee (Exco) members</p> <p>The CEO is responsible for executing the board approved strategy and ensuring the the approval framework for delegation of authority to management is adhered to</p>
<b>GOVERNANCE FUNCTION AREAS</b>	
<b>Risk governance</b>	
<p><b>11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</b></p>	<p>The board assumes overall responsibility for risk in the Group. It has delegated the co-ordination of the risk systems to the HSER committee. However, each sub-committee of the board oversees risks in the areas of its responsibility. The HSER committee ensures that each material risk in the Group is covered by a sub-committee</p> <p>Refer to pages 122 to 124 for more detail on the Group's risk management</p>
<b>Technology and information governance</b>	
<p><b>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</b></p>	<p>The board has delegated the responsibility for oversight of information technology to the audit committee. The board also approved the information technology strategy upon recommendation by the audit committee</p> <p>The policy for information governance and the sub committee to oversee this role will be a focus area in 2018</p>
<b>Compliance governance</b>	
<p><b>13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen</b></p>	<p>Compliance with all material laws and legislation applicable to the Group is monitored and reported to each sub committee for their area of responsibility. The audit committee assumes overarching responsibility for the Group's compliance management systems and gets a comprehensive quarterly report in this regard from the dedicated compliance manager</p> <p>The report covers areas of current and future focus; actions to monitor and address compliance management; material or repeated sanctions, fines and penalties on the organization, its officers and/ or members; environment regulator inspections and incidents of non compliance and the consequences</p>

King IV principle	Implats response
<b>GOVERNANCE FUNCTION AREAS</b> (continued)	
<b>Remuneration and governance</b>	
<p><b>14. 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 short, medium and long term</b></p>	<p>The full remuneration report, including the remuneration policy and implementation report is set out in the notice to shareholders. In addition, salient features are set out on pages 13 to 25 of the notice</p>
<b>Combined assurance</b>	
<p><b>15. 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</b></p>	<p>The Implats board is ultimately responsible for the assurance provided in the Implats Group. Management holds ultimate responsibility for the management of risks and internal controls. The board delegates oversight over the effectiveness of the Company's internal controls, risk management processes, integrity of information to the audit committee. Assurance is provided over the information reported both internally and externally by management, specialist function, internal audit, external auditors and other third-party assurance providers. To this end, the audit committee adopted an effective combined assurance framework, which has matured over the years in the optimisation of the assurance provided, cross-functionally, enterprise wide. A combined assurance map (CAM) is used to map and report on the status of assurance over the key strategic risks, material matters, key high risk legislation, key operational and financial risks identified through the integrated enterprise-wide risk management process</p> <p>The assurance provided and the opinion on the internal control environment will in future be deliberated on at sub-committees of the board but overall oversight will still vest with the audit committee</p> <p><b>Implats Group internal audit (IGIA)</b> Internal audit's mission is to enhance and protect organisational value through providing independent and objective risk-based requisite assurance, advice, and insight. In so doing, IGIA assists the Implats board, through the audit committee, and management at all levels within the Group, in the effective discharge of their responsibilities by reviewing the risk management, internal controls, and governance processes. IGIA maintains dual reporting in the Implats organisational structure, administrative reporting line to the CFO and a direct reporting line to the chairman of the audit committee which meets on a quarterly basis where matters relating to internal audit are discussed, directed and approved</p>
<b>STAKEHOLDER RELATIONSHIPS</b>	
<b>Stakeholders</b>	
<p><b>16. In the execution of its governance roles 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</b></p>	<p>The board considers all legitimate stakeholders in all of its decisions. An overview of our stakeholders and their material matters is provided on pages 18 to 21 of this report and is dealt with more fully in the separate sustainable development report and can be viewed on our website: <a href="http://www.implats.co.za">www.implats.co.za</a></p>

# Implats risk process and assurance

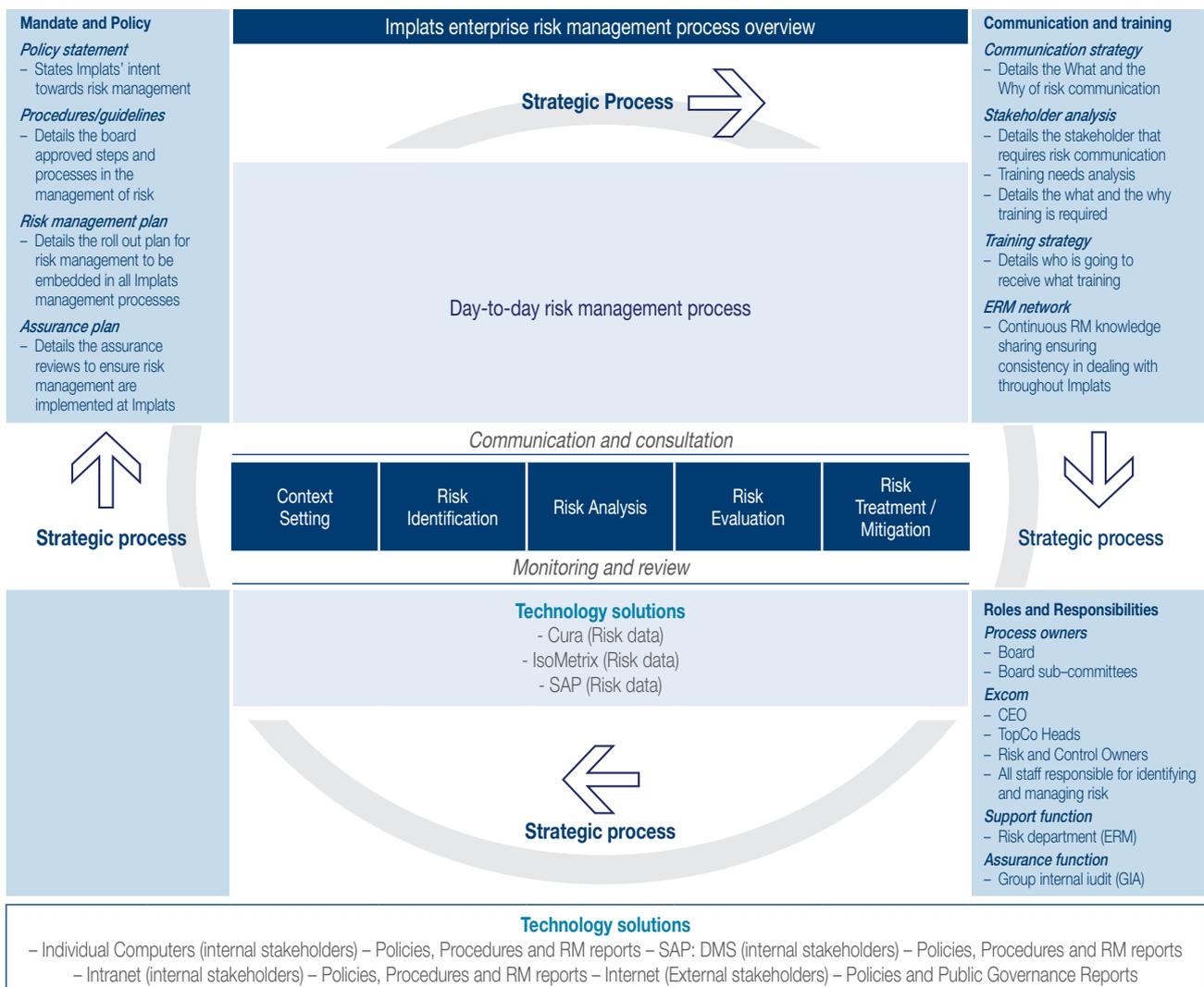
The most important purpose of enterprise risk management is to institutionalise an ongoing and rigorous identification of risks in all aspects of the business, encourage open and honest dialogue about these risks and bring about the implementation of the necessary controls and risk treatment initiatives

Implats' risk management process sets out to achieve an appropriate balance between minimising the risks associated with any business activity and maximising the potential reward. Effective risk management enables management to deal with uncertainty and associated threats and opportunities, enhancing the enterprises capacity to build value. Implats utilises the same, consistent risk methodology for every type of impact across the business as we believe separate risk methodologies would not support the object of embedding and maintaining an intelligent risk culture

We identify our strategic business objectives, and our material sustainability focus areas, through our structured internal risk management process, and with consideration to the views and interests of our stakeholders. The Implats risk management process is wholly aligned with ISO 31000 (2009)/ ISO Guide 73:2002, the international risk management standard, which defines risk as "the effect of uncertainty on objectives".

In this definition, uncertainties include events as well as uncertainties caused by ambiguity or a lack of information. It also includes both negative and positive impacts on objectives, so we are able to consider opportunities with the same consistent framework.

The Implats process is as follows:



The critical step preceding the above is the articulation of the key objectives of the respective function, as they relate to the strategic objectives of Implats. This further embeds Implats' assertion that risk and strategy are indeed two sides of the same coin, and are equally important to the achievement of value creation and sustainability.

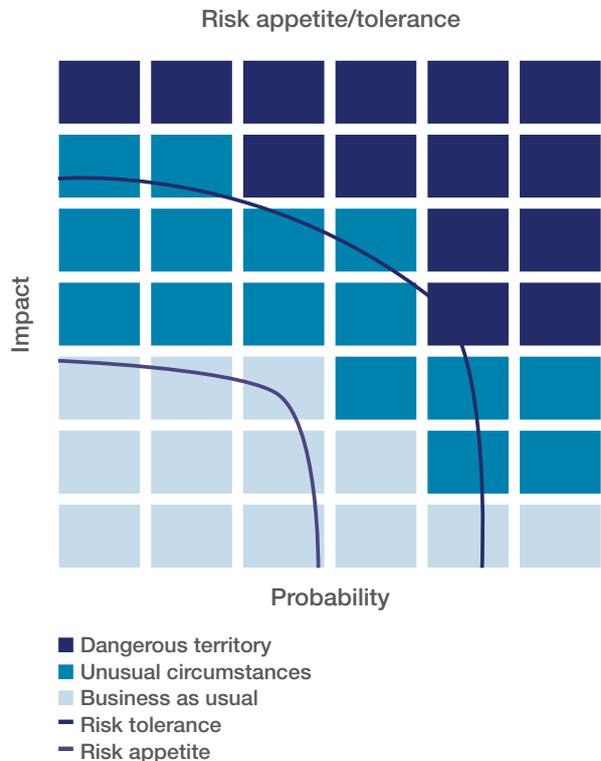
Arising from this process we identify a set of objective-based risk assessments (ORAs) that cover approximately 80 of the functions of the Implats business. Each identified risk, as well as its associated controls, has a clearly defined line management owner. Each business unit takes full ownership for their respective risk profiles, and these are discussed and debated at both an operational and executive level at prescribed frequencies. The review includes interrogation of both the internal and external environment for identification and ratification of risks and/or opportunities that affect the achievement of said objectives. All risk information is captured into the Group risk repository system. This process culminates in the identification of a prioritised set of Group strategic risks. Collectively, these risks, along with the outcomes of our internal and external stakeholder engagement activities, and our assessment of market fundamentals, are used to inform business decisions.

This process enables the board and senior managers to take decisions regarding the possible trade-off between risk and reward, and assists them to identify and pursue opportunities informed by the Group's risk appetite and risk tolerance levels.

Implats defines risk appetite as: "How much risk does the business feel comfortable with in any given area"? ie "business as usual" risk levels and tolerance as "How much risk might we practically accept, in excess of our risk appetite".

It should be noted that risk appetite and risk tolerance levels will be different for each key area of the business. Risk appetite and tolerance levels have been determined, approved by the board and utilised to inform key strategic decisions since 2012.

Management intervention is required for a risk that lies in the "business unusual area", ie, above the appetite but below the tolerance. A risk that exceeds the stated tolerance may require a change to the strategy to reduce the risk to acceptable levels.



While it is fully acknowledged that the board is responsible for risk management at Implats, risk management is seen to be pervasive throughout the organisation. The oversight of the risk management system and process is the responsibility of the HSER committee, while each subcommittee takes responsibility for the risks relevant to it.

# Implats risk process and assurance

Group risk owner/assurance and activities table

Risk	Board sub-committee risk owner	IR 2016	Internal / External	Strategic objective	Strategies	KPI
<b>Sustained depressed PGM basket prices</b>	Audit committee	Flat	External			For KPI targets refer to individual operation's performance from page 66 to 107
<b>Non-delivery of production and productivity targets at Impala</b>	Capital allocation and investment committee	Flat	Internal			
<b>A significant deterioration in safety performance</b>	Safety, health, environment and risk committee	Flat	Internal			
<b>Disruption to operations due to community unrest at Marula</b>	Social transformation and remuneration committee	New	External			
<b>Policy risk arising from changes in legislation in South Africa</b>	Audit committee	New	External			
<b>Excessive taxation and levies at Zimbabwean operations</b>	Audit committee	Up	External			
<b>Failure to progress beneficiation in Zimbabwe</b>	Capital allocation and investment committee	New	External			
<b>Unavailability of secure and reliable power in Zimbabwe</b>	Safety, health, environment and risk committee	Flat	External			
<b>Capital constraints affecting project delivery/opportunities</b>	Capital allocation and investment committee	New	External			
<b>Impact of UG2 support changes</b>	Safety, health, environment and risk committee	New	Internal			

Strategic objectives

Improve efficiencies through operational excellence and safe production

Cash conservation

Maintain our social licence to operate

Investment through the cycle

Maintain optionality and position for the future

Strategies

Relentlessly drive the safety of our people

Consistently deliver production targets

Improve efficiencies through operational excellence

Cash conservation

Maintain our licence to operate

# Legal compliance

“The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.”

The Implats board approved the Group compliance policy in 2014 wherein it is stated that the ultimate responsibility and accountability for ensuring compliance with laws, rules, codes and standards rests with the board.

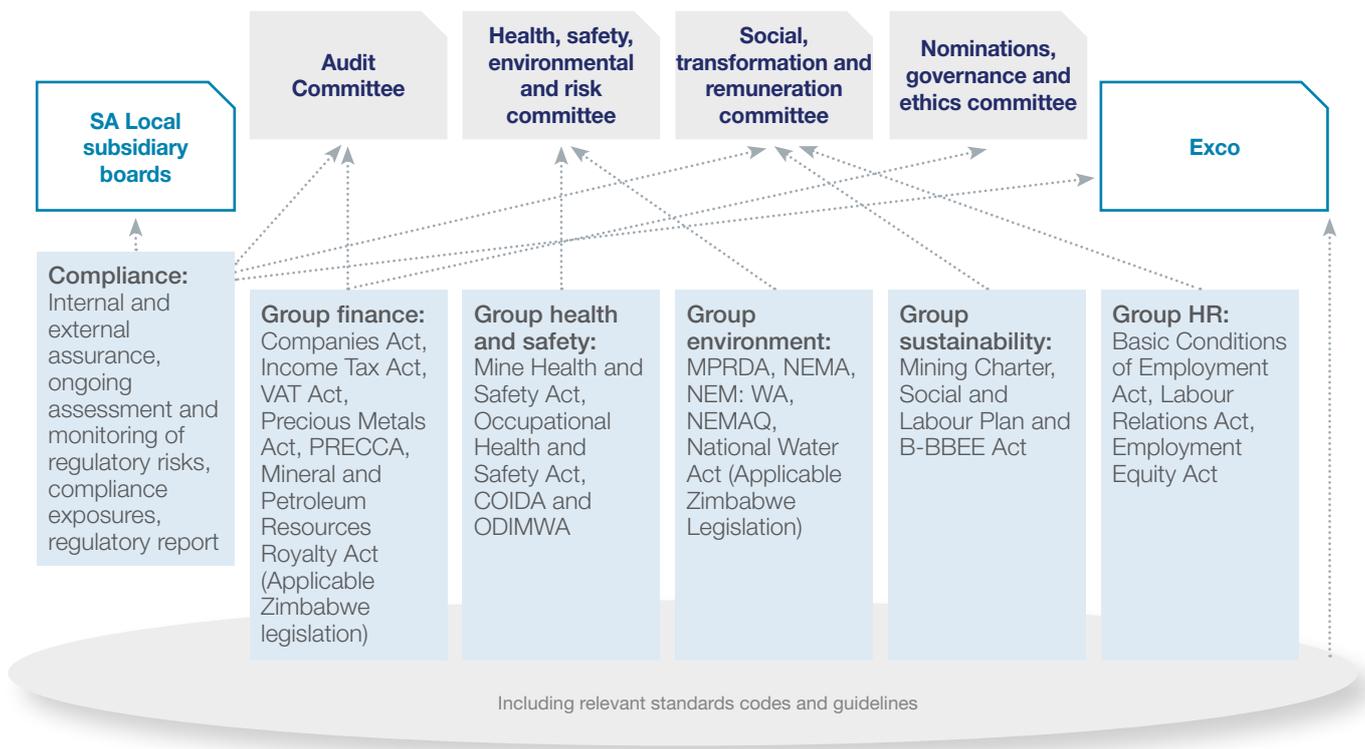
The board discharges this responsibility by delegating the facilitation of compliance risk management throughout the Group to management. The Group legal compliance function (in conjunction with management) is responsible for the identification, assessment, management and monitoring of compliance risk.

The compliance risk management process aligns to and forms an integral aspect of Implats’ current enterprise risk

management framework. Implats applies the Group risk appetite and tolerance levels as approved by the board towards its effort for complete compliance with key regulatory requirements that affect its licence to operate.

Compliance risk management initiatives are informed by the top 20 regulatory requirements for the South African operations with the Zimbabwean operations following suit. Oversight of the general effectiveness of the compliance management system sits with the audit committee whilst remaining board sub-committees monitor substantive compliance to those laws that fall within their area of responsibility as depicted below.

It is encouraging that at an operational level, there has been a significant improvement on the number and extent of S54 Mine Health and Safety Act compliance notices issued by the DMR



## Our approach to tax

The Implats Group's relationship with stakeholders is based on the core values of Respect and Care. These values drive the behaviour that is needed to realise the Group's purpose of being the world's best platinum-producing entity delivering superior value to stakeholders relative to peers.

These values also have an impact on how Implats looks at tax. We believe that paying tax is more than a "cost of doing business". Being a responsible corporate citizen, we believe that the taxes we pay contribute to the social and economic growth of the countries in which the Group operate. We aim to pay the correct and proper amount of tax in each country in which we operate.

Our approach to tax is embedded in the following tax principles which are aligned with our business and commercial strategies:

- We observe all applicable laws, rules, regulations and disclosure requirements in meeting our tax compliance and reporting responsibilities.
- We aim for certainty on tax positions we adopt but where tax law is unclear or subject to interpretation, we would adopt the position that would, more likely than not, be settled in our favour.
- We ensure that all tax planning is built on sound commercial business advice.
- We will not use aggressive tax planning or enter into complicated tax avoidance schemes.
- We meet internationally recognised standards by applying transfer pricing policies such as the arm's-length principle.
- We undertake all dealings with governments, tax authorities and external tax advisors in a professional, courteous and timely manner.
- We understand the value of our financial reporting to investors and society, and work to provide enhanced and balanced disclosure in communicating our tax affairs.

### Tax risk management

Tax risk is ideally managed by the prevention of unnecessary disputes. The avoidance of all tax disputes would suggest an overly prudent position that is not in line with our main objective to enhance shareholder value.

The commercial needs of the Group are paramount and all tax planning and advice will be undertaken in this context. Where alternative paths exist to achieve the same commercial result, the most tax efficient approach should generally be recommended.

### Tax governance

We manage tax in line with our Group governance framework and procedures.

Tax is part of the finance function of the Group and is the ultimate responsibility of the Group chief financial officer. Day-to-day work is delegated to the Group tax manager, who is assisted by various cross-disciplinary professionals. The chief financial officer reports to the Group audit committee on tax matters.

Our tax function actively ensures that all our objectives are being met and that compliance with national and international standards is ensured. This team also provides guidelines and systematically informs decision makers about changes to the current system.

Our tax professionals will aim to:

- Effectively manage risk by application of the tax risk strategy.
- Observe all applicable laws, rules, regulations and disclosure requirements.
- Apply diligent professional care and judgement to arrive at well-reasoned conclusions.
- Ensure all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved.
- Be compliant with the Group ethics policy and any anti-bribery legislation.

Advisory and technical tax support is provided by a combination of large accounting firms, various legal firms with which the Group has a long association. The use of advisory firms that are also our auditors is controlled by, and regularly reported to, the audit committee.

## Information and technology

The board has formally delegated responsibility for governing of information and technology to the audit committee. Implats currently has an information and technology policy, the scope of which is focused largely on the safeguarding and exploitation of Implats technology resources and the information contained therein to achieve its strategic objectives. Our approach will be to investigate and adopt, where applicable, the methodologies such as the IT Governance Institute guidelines and the control objectives for information and related technology (COBIT) framework to meet King IV requirements

Assurance on the information and technology systems and processes is provided by a third-party expert and findings are regularly reported to the audit committee, which oversees that any material finding is resolved. Many of our key internal controls (to mitigate identified risks) are automated to ensure a wide and consistent coverage.

One of the Group's most important stakeholders is its employees. IT plays a critical role in enhancing the safety of and the communication to and from employees. The rolling out of electronic capturing of every safety incident is underway. This will enhance learnings from the incidents, as various analyses and trend reports can easily be accessed and disseminated into the organisation.

All our training records are currently being digitised to ensure data integrity and easy use for monitoring of compliance.

A communicating platform to improve communication on all matters to employees has been recently launched. This platform enables the Company to effectively communicate critical messages to all employees who have a cell phone via SMS. Importantly, employees also have the ability to respond to messages or ask a question for clarity. This platform greatly enhances the understanding by the Company of its workforce and its needs.

Disaster recovery arrangements for our data and systems are in place. These plans are tested regularly.

'Cyber risk', being the risk that a person(s) can access our environment with malicious intent, is a constant threat. The Group has a number of effective firewalls in place to prevent unauthorised access. Monitoring tools are also in place for early detection of any unauthorised access that has breached the firewall.

### Outlook

One of the areas of focus in the upcoming year will be to provide adequate assurance on the security of the Group's information.



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