



**HULAMIN**

Think future. Think aluminium.

# GOVERNANCE REPORT

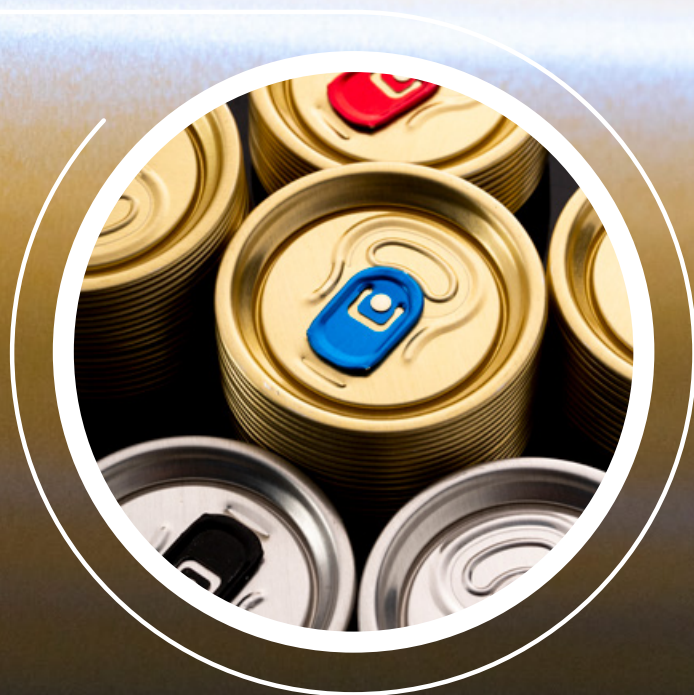
FOR THE YEAR ENDED 31 DECEMBER 2019



# CORPORATE GOVERNANCE

<b>King IV Application</b>	<b>1</b>
<b>Corporate Governance</b>	<b>10</b>

Hulamin has adopted the King IV report on Corporate Governance for South Africa, 2016 and this report therefore addresses all the principles of King IV, save for principle 17 as this relates to institutional investor companies.



# KING IV APPLICATION

## 1. Leadership, Ethics and Corporate Citizenship

### 1.1 Leadership

#### Principle 1: The governing body should lead ethically and effectively

The primary mission of the Hulamín board of directors (“the Board”) is to ensure that Hulamín acts responsibly in pursuit of its business goals in a manner which balances the interests of all stakeholders.

The Board views the implementation of good corporate governance practices as integral to its business and recognises the importance between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. The Board is committed to act in good faith and in the best interest of the organisation, to act ethically and to maintain the highest standards of good governance in order to promote quality decision-making and the execution thereof. The directors as set out in the director’s code of conduct are required to comply with two overriding standards of diligence (duties of care and skill) and good faith (fiduciary duties). As a steward of the company each director of Hulamín also needs to discharge the following moral duties:

**Conscience:** a director needs to act with intellectual honesty and independence of mind in the best interest of the company and all its stakeholders, set the tone for an ethical organisational culture and ensure that the organisation does not adversely affect the natural environment, society and future generations.

**Inclusivity:** of stakeholders to achieve sustainability and the interests of stakeholders must be taken into account in decision-making and strategy.

**Competence:** a director should have the knowledge and skills required for governing a company effectively and continually develop this competence.

**Commitment:** a director should be diligent in performing his/her duties and devote sufficient time to company affairs.

**Courage:** a director should also have the courage to act with integrity in all Board decisions and activities and to take the risks associated with directing a successful sustainable business as well as taking responsibility for the prevention of any negative outcomes.

The Board assumes collective responsibility for steering and setting the direction of Hulamín as detailed in the roles and responsibilities of the Board as set out in the Board Charter which was updated with reference to King IV and adopted by the Board. Members of the Board are committed to transparency, accountability, fairness, integrity and ethical leadership.

The evaluation of the ethical performance and corporate leadership of the Board forms part of the board and director performance evaluations which are currently performed once every two years.

### 1.2 Organisational Ethics

#### Principle 2: The governing board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Hulamín has adopted a Code of Ethics which has been actively endorsed by the Board and distributed to all employees in the group and is made available on both the group intranet (“Hulanet”) and on the Hulamín website ([www.hulamín.co.za](http://www.hulamín.co.za)) as well as related policies such as the policy guidelines on fraud, theft, corruption and other unethical behaviour. The Code of Ethics requires all employees and directors of the group to be committed to fair dealing, honesty and integrity in the conduct of its business and also outlines the group’s position on gifts and entertainment. The Code of Ethics is designed to raise ethical awareness, act as a guide to day-to-day decisions and to assure customers, suppliers and other stakeholders of the group’s commitment to ethical behaviour.

An important element of the employee induction process is to communicate to new employees the Code of Ethics, the group’s core values and its compliance procedures. Compliance with the Code of Ethics is included in contracts of employment. Compliance by all employees with the high moral, ethical and legal standards of the Code of Ethics is mandatory, and if employees become aware of, or suspect, a contravention of the Code of Ethics, they must promptly and confidentially report it in the prescribed manner.

The Code of Ethics for employees and the Code of Conduct for Suppliers and Service Providers which is made available to suppliers and service providers is approved by the Social, Ethics and Sustainability Committee (“SESC”), which also oversees the embedding of the Code of Ethics and reporting. The ongoing training of employees on the Code of Ethics remains a key focus area.

Appropriate action is taken in respect of all reported instances of non-compliance with the Code of Ethics and Code of Conduct for Suppliers and Service Providers.

# KING IV APPLICATION CONTINUED

## 1. Leadership, Ethics and Corporate Citizenship continued

### 1.2 Organisational Ethics continued

**Principle 2: The governing board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture continued**

#### Whistle-blowing

Hulamin has established a whistle-blowing policy and has an anonymous reporting facility (the Hulamin Vuvuzela Fraud and Ethics Line), enabling employees and other stakeholders to report fraudulent, corrupt or unethical behaviour related to any of the group's activities, without fear of victimisation and retribution. Anonymity is guaranteed and the facility is managed in compliance with the Protected Disclosures Act, No 26 of 2000.

Contact details of the Vuvuzela Fraud and Ethics Lines are as follows:

- Toll-free number: 080 225 5 688
- Toll-free facsimile: 080 000 7788
- Email: [Hulamin@tip-offs.com](mailto:Hulamin@tip-offs.com)
- Website: [www.tip-offs.com](http://www.tip-offs.com)

All fraud and theft matters are reported to the Audit Committee and SESC. There were no significant frauds or thefts during the report period. No material matters were reported to the committees during the reporting period.

### 1.3 Responsible Corporate Citizen

**Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen**

The Board has delegated to the SESC the responsibility to oversee corporate citizenship by setting the direction for how it should be approached and it oversees the implementation thereof. The primary objective of SESC is to lead the formulation and articulation of Hulamin's transformation, B-BBEE strategy, social and ethics strategy, to align this with the overall business strategy of Hulamin, to assist and advise on the setting of targets and to review the progress in achieving those targets. Further, inter alia, SESC and the Risk Committee assist the Board to ensure Hulamin is seen to be a responsible corporate citizen and to ensure that Hulamin's impact on the economy (including economic transformation, prevention, detection and response to fraud and corruption), the society (including employee and contractor health and safety, consumer protection and protection of human rights) and the environment (including responsibilities in respect of pollution and waste disposal) is sustainable. Further key responsibilities of SESC are to oversee the general compliance with labour and employment law including the Bill of Rights.

SESC also oversees initiatives to promote equality, to prevent unfair discrimination and to contribute to the development of the communities in which Hulamin's activities are predominately conducted, as well as sponsorships and donations.

Further reporting on the activities of SESC and reporting on the above matters are set out on page 12 of this report and in the Sustainability Report available on Hulamin's website at [www.hulamin.co.za](http://www.hulamin.co.za)

Planned areas of future focus include the refinement of environmental sustainability measures and targets.

## 2. Strategy, Performance and Reporting

### 2.1 Strategy and Performance

**Principle 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**

A key responsibility of the Board as set out in its Charter is to delegate to management the formulation of Hulamín's strategy and at the annual Board strategic workshop where the proposed strategy is considered by the Board, management is challenged with reference, *inter alia*, to the timelines and key performance measures to give effect to the strategy, the key risks and opportunities identified, the key resources and relationships connected to the various forms of capital, the interests of all stakeholders, the transformation initiatives and the inter-dependence of the above.

The Board has also delegated to management the responsibility to implement and execute the approved policies and operational plans. A Board business plan workshop is typically held in October of each year where the Board considers the medium- to long-term business plan of the group and the related key performance measures, as well as the projected financial performance of the business and the proposed hedging and funding strategy.

The strategy and the business plan, including key performance measures and targets, are approved at Board meetings. The Board actively monitors performance against all the targets.

Further information of the business, strategic leadership and value creation is set out in the Integrated Annual Report.

### 2.2 Reporting

**Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisations performance, and its short-, medium- and long-term prospects**

In developing the integrated report for Hulamín, the Board is guided by the International Integrated Reporting Framework, the King IV Report on Corporate Governance, the JSE Listings Requirements and the Companies Act, No 71 of 2008, as amended, and the Companies Regulations. This report includes, *inter alia*, information relative to an overview of Hulamín, the business in context, strategic leadership, value creation, performance management, financial statements and shareholder information.

The Board has delegated to the Audit Committee the responsibility to oversee the reporting of all financial infrastructure, and any other information, which together constitute Hulamín's integrated reporting, prior to its approval by the Board. The Audit Committee responsibilities, *inter alia*, also include recommending to the Board for approval how assurance should be approached to ensure the integrity of external reports, such as those related to material sustainability issues and financial results. In this regard the Audit Committee takes into account the legal requirements in relation to assurance. Hulamín's website is used, *inter alia*, to report to stakeholders its integrated reports, annual financial statements and newsworthy items also released on the Stock Exchange News Service.

## 3. Governing Structures and Delegation

### 3.1 Primary Role and Responsibilities of the Governing Body

**Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation**

The Board's primary role and responsibilities as set out in its approved Board Charter which is reviewed as and when required include:

- Approving corporate strategy, including business plans and budgets and to bring independent, informed and effective judgement and leadership to bear on the material decisions of the company.
- Overseeing and monitoring management's implementation of the approved strategies and business plans and budgets.
- Ensure accountability for the group's performance by means of, among others, reporting and disclosure.

The Board Charter also highlights the role of the Board as the custodian of corporate governance and addresses the fiduciary duties and responsibilities of the Board and directors. It also sets out the procedures to be followed in the event Board members or Board committee's need to obtain independent, external professional advice, and the procedures to be followed by non-executive Board members for access to senior staff and the books and records of Hulamín, to enable them to make competent decisions about the affairs of Hulamín.

An annual Board plan is in place to assist the Board to fulfil its responsibilities in accordance with the Board Charter. The Board is satisfied that it has done so relative to the 2019 reporting period.



# KING IV APPLICATION CONTINUED

## 3. Governing Structures and Delegation continued

### 3.2 Composition of the Governing Body

**Principle 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**

Hulamin has a unitary Board structure which at 31 December 2019 comprised of ten non-executive directors, of whom seven are independent, two of whom are non-executive directors and one alternative non-executive director and three executive directors (which includes the CEO and CFO), drawn from a broad spectrum of business.

#### Board Committees

	Year of appointment	Age	Audit	Risk	Remuneration and Nomination	Social, Ethics and Sustainability	Chairman's
<b>Independent non-executive directors</b>							
TP Leeuw (Chairman)	2007	56		Member	Member		Chairperson
CA Boles	2016	50	Member		Member		
RL Larson	2017	64		Member			
N Maharajh	2016	53	Chairperson	Member			Member
NNA Matyumza	2010	56	Member		Chairperson		Member
Dr B Mehlomakulu	2016	47		Member		Member	
PH Staude <sup>1</sup>	2007	66		Chairperson <sup>2</sup>			Member
GHM Watson	2011	68		Chairperson <sup>2</sup>	Member		Member
<b>Non-executive directors</b>							
VN Khumalo	2006	57				Chairperson	Member
SP Ngwenya	2007	66				Member	
GC Zondi (Alternate)	2016	46					
<b>Executive directors</b>							
RG Jacob (CEO)	2010	54		Member		Member	
AP Krull (CFO)	2016	45		Member			
MZ Mkhize <sup>3</sup>	2007	58		Member			

Directors ages are quoted as at 31 December 2019.

<sup>1</sup> PH Staude retired as director effective 30 June 2019.

<sup>2</sup> PH Staude resigned as Chairperson of the Risk Committee effective 30 June and GHM Watson was appointed Chairperson of the Risk Committee effective 1 July 2019.

<sup>3</sup> MZ Mkhize resigned as director effective 28 February 2020

Collectively the directors have a wide array of skills, knowledge and experience, and bring independent judgement to Board deliberations and decisions, and with no one individual or group having unfettered powers of decision-making. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The Board has adopted a Diversity Policy with set targets in accordance with the JSE Listings Requirements and which are taken into consideration in addressing the Board succession plan.

The voluntary target for female representation on the Board of Hulamin by the end of 2020, is a range of 25% to 40%. At the end of December 2019 two board members of the 13 were female (15%).

The voluntary race targets are as follows:

- African: 50%
- Indian/Coloureds: 15%
- Whites: 35%

As at the end of December 2019 there were seven Africans, one Indian, and five White directors.

### Changes to the Board in 2019

PH Staude retired from the Board on 30 June 2019 after having served on the Board since its listing in 2007.

Appointments to the Board follow a formal and transparent process and are a matter for the Board of directors as a whole, assisted by the Remuneration and Nomination Committee.

### Board Practice

The role of the Chairman (TP Leeuw), and that of the Chief Executive Officer (RG Jacob), are separate with a clear division of responsibilities as set out in the Board Charter.

### Director Rotation at Annual General Meeting

In accordance with the company's Memorandum of Incorporation, executive directors in addition to non-executive directors are subject to retirement by rotation at intervals of three years and may be re-elected at the AGM at which they retire. Newly appointed directors may hold office until the next AGM, where their appointments are required to be ratified and they will be required to retire and offer themselves for election. Retiring at the next AGM by rotation are RL Larson, Dr B Mehloakulu and AP Krull who, being eligible and available, will seek re-election as directors. The Remuneration and Nomination Committee have assessed each of the retiring directors and the Board unanimously recommend their re-election.

The Board confirms its support of their standing for re-election. There are no term contracts of service between any of the directors and Hulamín.

### Board Succession Planning

A Board succession review process commenced in 2016 as part of a structured plan to appoint new non-executive directors. A Board composition expert was appointed to assist the Board in mapping the skills and experience necessary to meet the needs of the stakeholders, shareholders, the Board and its committees. This process was completed by the end of March 2017, resulting in the appointment of TP Leeuw as Chairman of the Board following the resignation of ME Mkwanazi at the end of April 2018.

### Nomination, Election and Appointment of Members

A formal and transparent process is in place for nomination, election and appointment of members to the Board. The nomination of candidates for election as members is recommended by the Remuneration and Nomination Committee for approval by the Board.

Matters such as member's performance and attendance at meetings is considered by the Board in nominating members for re-election. Candidates for election as non-executive directors provide confirmation that they have sufficient time available to fulfil the responsibilities of a member of the Board. Candidates' background and qualifications are independently verified prior to their nomination. A brief profile of the directors retiring and standing for re-election at the 2020 AGM is included in the AGM notice.

All newly appointed directors receive a letter of appointment and follow an appropriate induction programme. Members of the Board are provided with relevant articles and presentations to enhance their level of professional development.

### Independence and Conflicts

Directors' responsibilities relative to conflicts of interest and the proactive monitoring thereof are dealt with in the Board Charter and directors' Code of Conduct. Directors' general disclosure of interest is considered at least annually by the Board, and whenever there are significant changes. Conflicts of interest are considered at Board and committee meetings. The requirements of, inter alia, King IV are considered in assessing the independence of non-executive directors on an annual basis.

In terms of the Board Charter a non-executive director may continue to serve, in an independent capacity, for longer than nine years if, upon assessment by the Board conducted every year after nine years, it is concluded that the non-executive director exercises objective judgement and there is nothing when judged from the perspective of a reasonable and informed third party, that is likely to influence unduly or cause bias in decision-making.

The independent classification of all Board members was considered by the Board.

### Board Chairman

The appointment and performance of the Board chairman is reviewed annually. The Board resolved to appoint TP Leeuw as Board chairman with effect from the 2018 AGM and he continues to serve as chairman.

TP Leeuw confirmed he has adequate capacity and time to serve as chairman of the Board despite his outside positions and commitments.

Following an independent assessment review of TP Leeuw, the Board was not able to flag any matter of concern regarding the classification of TP Leeuw as an independent non-executive director considering the King IV guidelines and despite him serving on the Board of Hulamín for more than nine years.

The Board further concluded that currently there was no need to appoint a lead independent non-executive director. If and when required, the Board may consider the appointment of a lead independent non-executive director.

# KING IV APPLICATION CONTINUED

## 3. Governing Structures and Delegation continued

### 3.2 Composition of the Governing Body continued

**Principle 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** continued

**Board and Board Committee attendance register**

	Board		Audit		Risk		Remuneration and Nomination		Social, Ethics and Sustainability		Chairman's	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Independent non-executive directors</b>												
TP Leeuw (Chairman)	5	5			2	2	3	3			3	3
CA Boles	5	5	3	3			3	3			3	3 <sup>#</sup>
RL Larson	5	5			2	2					3	3 <sup>#</sup>
N Maharajh	5	5	3	3	2	2					3	2
NNA Matyumza	5	4	3	3			3	3			3	3
Dr B Mehlomakulu	5	5			2	2			3	3	3	3 <sup>#</sup>
PH Staude <sup>1</sup>	5	1			2	1						
GHM Watson <sup>2</sup>	5	5			2	2	3	3			3	3
<b>Non-executive directors</b>												
VN Khumalo	5	5	3	3 <sup>#</sup>					3	3	3	2
SP Ngwenya	5	5							3	2	3	2 <sup>#</sup>
GC Zondi (Alternate)	5	–										
<b>Executive directors</b>												
RG Jacob (CEO)	5	5	3	3 <sup>#</sup>	2	2	3	3 <sup>#</sup>	3	3	3	3 <sup>#</sup>
AP Krull (CFO)	5	5	3	3 <sup>#</sup>	2	2			3	2 <sup>#</sup>	3	3 <sup>#</sup>
MZ Mkhize <sup>3</sup>	5	5			2	2					3	3 <sup>#</sup>

A Indicates the number of meetings held during the year while the director was a member of the Board and/or Committee.

B Indicates the number of meetings attended during the year while the director was a member of the Board and/or Committee.

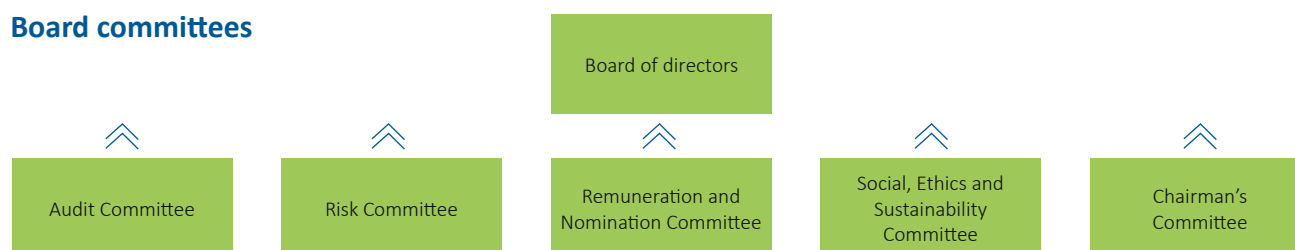
<sup>1</sup> PH Staude resigned as director of the Hulam Board and Chairman of the Risk Committee with effect from 30 June 2019.

<sup>2</sup> GHM Watson was appointed Chairman of the Risk Committee with effect from 1 July 2019.

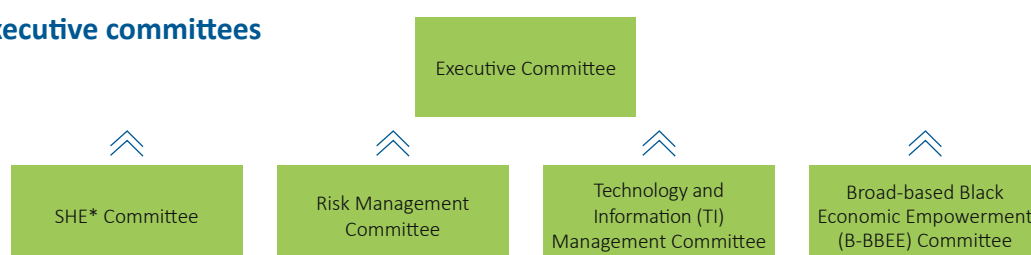
<sup>3</sup> MZ Mkhize resigned as director of the Hulam Board with effect from 28 February 2020.

# Attendance by invitation.

### Board committees



### Group executive committees





### 3.3 Committees of the Board

#### **Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of duties**

The Board has mandated the following committees, an Audit Committee, a Risk Committee, a Remuneration and Nomination Committee, a Social, Ethics and Sustainability Committee, and a Chairman's Committee, each with Board approved terms of reference, to support it in the execution of its governance responsibilities. This delegated responsibility, however, does not reduce the individual and collective responsibilities of Board members. These terms of reference are subject to an annual review and they include, *inter alia*, the composition of the committee, the overall role and responsibilities of the committee, delegated authority, the tenure of the committee, reporting requirements, procedures to access resources and information, meeting procedures and procedures to evaluate performance of the committee.

The Remuneration and Nomination Committee addresses the composition of Board Committees for approval by the Board so that it has the necessary knowledge, skills, experience and capacity to execute its duties effectively. Directors may attend committee meetings which they are not members of as an invitee, subject to the consent of the chairman of the committee. In such cases they may not vote on any matter decided upon by the committee. There is full disclosure of matters handled by a committee to the Board. Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. The core responsibilities of the Board Committees and group Executive Committees are set out on pages 10 to 15 of this report.

The respective Board Committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference in 2019.

### 3.4 Evaluation of the Performance of the Governing Body

#### **Principle 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 performance and effectiveness**

A formal annual evaluation process of the Board collectively and of the directors individually, the chairman, the Board Committees, the CEO and of the company secretary is addressed. This typically involves the completion of evaluation questionnaires when performed internally, whilst when they are externally facilitated one-on-one interviews are also held with the directors and the company secretary. External facilitated evaluations are typically done every three years. The Board is of the opinion that the evaluation process does uplift the performance and effectiveness of the Board and this is evident in the relative high scores achieved.

No major areas of concern were raised relative to the 2018 evaluation process considered by the Board in 2019.

### 3.5 Appointment and Delegation to Management

#### **Principle 10: 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**

##### **CEO appointment and role**

The Remuneration and Nomination Committee recommends and the Board approves the appointment of the CEO and executives. The Remuneration and Nomination Committee and the Board also ensures and reviews the succession plan for the CEO and executives on a periodic basis.

The roles and responsibilities of the CEO are detailed in the Board Charter.

The CEO's membership and professional commitments outside of Hulamin are monitored by the chairman.

##### **Delegation**

The Board has approved an authorities framework which sets out the powers it reserves for itself and those delegated to management. The CEO is responsible for executing the Board approved strategy and business plans and ensuring that the authorities framework for delegation of authority to management is adhered to.

The Board is of the opinion that the authorities framework contributes to role clarity.

##### **Company secretary**

The Board has considered and is satisfied that the company secretary is appropriately qualified, competent and experienced for his position in a listed company.

Hulamin's company secretary plays a pivotal role in the continuing effectiveness of the Board, ensuring that all directors have full and timely access to information that helps them to perform their duties and obligations, and enables the Board to function effectively.

The company secretary's key duties with regard to the directors include, but are not limited to, the following:

- Collating and distributing relevant information, such as Board meeting agenda items, and Board and committee meeting papers, corporate announcements, investor communications and any other developments affecting the Hulamin Group.
- Providing guidance to the directors on their individual and collective powers and duties.

# KING IV APPLICATION CONTINUED

## 3. Governing Structures and Delegation continued

### 3.5 Appointment and Delegation to Management continued

#### **Principle 10: 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** continued

- Inducting new directors together with the company's sponsor. This includes a briefing of their fiduciary and statutory duties and responsibilities, including those arising from the JSE Listings Requirements.
- Providing regular updates on changes to laws and regulations affecting Hulamín.
- The company secretary is responsible for the functions specified in section 88 of the Companies Act, 2008 (as amended). All meetings of shareholders, directors and Board Committees are properly recorded as per the requirements of the Act.

The company secretary is not a director of any of the group operations, nor is he related to or connected with any of the directors which could result in a conflict of interest and accordingly it is concluded that an arm's length relationship with the Board and its directors is maintained. The company secretary reports to the Chief Financial Officer and has a direct channel of communication to the Chief Executive Officer and to the Chairman. The removal, appointment and remuneration of the company secretary would be a matter for the Board as a whole as set out in the authorities framework.

## 4. Governance Functional Areas

### 4.1 Risk Governance

#### **Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives**

The Board assumes overall responsibility for risk in the group. It has delegated the oversight of risk management to the Risk Committee. Refer to the Integrated Annual Report for more detail on the group's risk management approach and governance. The Risk Management Committee reports to the Risk Committee.

### 4.2 Technology and Information Governance

#### **Principle 12: The governing body should govern technology and information in way that supports the organisation setting out achieving its strategic objectives**

The Board has delegated the responsibility for oversight of information technology and information management to the Audit Committee. The Technology and Information Management Committee reports to the Audit Committee in this regard.

Systems, policies and procedures relative to information governance, the group's information technology security strategy, and a revised information technology strategy will be key focus areas in 2020 relative to technology and information governance.

### 4.3 Compliance Governance

#### **Principle 13: 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**

In terms of the group compliance framework, compliance with all material financial laws and regulations applicable to the group is overseen and reported on by the Audit Committee (i.e. the financial regulatory universe), whilst the SESC oversees compliance governance relative to the labour regulatory universe. The Risk Committee assumes overarching responsibility for overseeing the group's compliance governance responsibilities and the legal regulatory universe (i.e. those laws and regulations not overseen by the Audit Committee and the SESC).

The Audit Committee reviews compliance with *inter alia* the provisions of the Companies Act and no material breaches of non-compliance thereof has been brought to their attention. Further, Hulamín operates in conformity with its memorandum of incorporation as approved by shareholders.

There is a comprehensive six-monthly report to the respective committee's from the compliance officer, which role is currently fulfilled by the company secretary. The report is compiled based on information received from each responsible executive assigned to each high risk compliance obligation.

During the reporting period, the group was audited in terms of ISO 14001 international environmental standard and there were no major findings. A key area of focus during the reporting period was compliance with the Competition Act and the development of a Competition Act compliance framework.

Planned areas of future focus include addressing assurance on the effectiveness of the compliance governance framework.

The group did not have any material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the report period.

#### 4.4 Remuneration Governance

**Principle 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 the short-, medium- and long-term**

The full remuneration report, including the remuneration policy and implementation report are set out in the Notice of Annual General Meeting.

#### 4.5 Combined Assurance

**Principle 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 organisations external reports**

The Board is ultimately responsible for the assurance provided in the group. Management holds ultimate responsibility for the management of risks and internal controls. The Board delegates oversight over the effectiveness of the group'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. A combined assurance map is used to map and report on the risk legislation, key operational and financial risks identified through the integrated group-wide risk management process.

Oversight of the assurance provided and the opinion on the internal control environment vest with the Audit Committee.

##### Group Internal Audit

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, internal audit assists the 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. Internal audit maintains dual reporting in the group structure, administrative reporting line to the CFO and a direct reporting line to the chairman of the Audit Committee where matters relating to internal audit are discussed directly and approved.

## 5. Stakeholder Relationships

### 5.1 Stakeholder Relationships

**Principle 16: 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**

Management has developed a strategy and formulated policies for the management of relationships with each stakeholder grouping, and an integrated approach to stakeholder management within Hulamín is adopted to strive for consistency and balance in treatment across stakeholder categories.

Hulamín communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meets with investors and institutional stakeholders on a one-on-one basis. The Hulamín website ([www.hulamin.co.za](http://www.hulamin.co.za)) is also used for this purpose. Hulamín invites all shareholders to attend its annual general meeting (AGM) and also facilitates participation by way of focused proxy solicitation. The results of the 2019 AGM are published on the Stock Exchange News Service and the minutes of AGMs on Hulamín's website. All directors and the designated partner of the external audit firm typically attend the AGM. An overview of Hulamín's stakeholders and their material matters is provided in the Integrated Annual Report and is also dealt with in the separate Sustainability Report which can be viewed on Hulamín's website.

Hulamín strives to resolve disputes with its stakeholders effectively and expeditiously. Hulamín has a preference to settle disputes rather than to litigate and uses alternative dispute resolution mechanisms whenever appropriate.

### 5.2 Relationships within a group of companies

Hulamín Limited is an investment holding company with its single investment comprising Hulamín Operations Proprietary Limited. The group authorities framework, policies, processes or procedures approved by the Hulamín Board and committees thereof, as well as executive management relate to the group as a whole.

Executive directors who participate in the approval of group policies, processes and procedures are also directors of group subsidiary companies.

# CORPORATE GOVERNANCE

Hulamin views the implementation of good corporate governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

The Board has delegated, through formal terms of reference, specific matters to a number of committees whose members and chairman are appointed by the Board.

There is full disclosure of matters handled by the committees to the Board.

The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group.

## Audit Committee

### Core responsibilities

The responsibilities of the committee and details of the execution of the duties of the committee during the year under review are set out in the Report of the Audit Committee, incorporated in the Integrated Annual Report.

Key areas of focus during the reporting period include the consideration of interim and annual financial statements, the nomination of an external auditor for appointment at the 2019 AGM.

A key area of future focus will be to manage the transition in the change of external auditors and the restructure of the internal audit function.

### Chairman

N Maharajh (independent non-executive)

### Composition

#### Independent non-executive directors

CA Boles  
NNA Matyumza

Note: the members were re-elected at the annual general meeting held in May 2019.

### Invitees

AP Krull (CFO)  
VN Khumalo (non-executive director)

### Representatives of internal and external auditors

L Farquharson (Rolled Products Executive: Financial)  
L Ncoliwe (Head of Internal Audit)

### Frequency of scheduled meetings

Three meetings per annum

### Secretary

W Fitchat (Company Secretary)

## Risk Committee

### CORE RESPONSIBILITIES

The responsibilities of the committee are set out in written terms of reference. These terms of reference and the company's risk appetite statement were adopted by the Board. The Risk Committee's key responsibilities are:

- Overseeing and monitoring the development and implementation of a risk management framework, policy, strategy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Hulamín.
- Recommend levels of tolerance and appetite for risk to the Board.
- Report to the Board information relevant to risk management and procure independent assurance regarding the effectiveness of the risk management process.

Key areas of focus during the reporting period include actions to progress risk-based thinking at all levels of the business, to progress risk culture change management process, to review and progress strategic risks and to introduce operational/process risk management.

Key areas of future focus include progressing the integration of risk-based thinking via strategic risk scenarios, the embedding of a risk culture within the organisation and the automation of risk administration via the BarnOwl system.

### Chairman

PH Staude<sup>1</sup> (independent non-executive)  
GHM Watson<sup>2</sup> (independent non-executive)

### Composition

#### Independent non-executive directors

RL Larson  
TP Leeuw  
N Maharajh  
B Mehlomakulu

#### Executive directors

RG Jacob  
MZ Mkhize<sup>3</sup>  
AP Krull

#### Invitees

FB Bradford  
BA Mngadi  
C Fisher  
M Reddy  
R Green-Thompson  
I Smith  
Z Gumede  
S Vally  
MA Janneker

### Frequency of scheduled meetings

Two meetings per annum

### Secretary

W Fitchat (Company Secretary)

<sup>1</sup> Retired with effect from 30 June 2019  
<sup>2</sup> Appointed Chairman with effect from 1 July 2019  
<sup>3</sup> Resigned with effect from 28 February 2020

## Remuneration and Nomination Committee

### Core responsibilities

The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Remuneration and Nomination Committee's key responsibilities are:

- Formulation of employment and reward strategies to attract and retain executives and senior management.
- Recommend to the Board the remuneration of directors and senior management.
- Recommend to the Board changes in the composition of the Board and the appointment and removal of directors.

The chairman of the Board serves as chairman of the committee for nomination matters.

Key areas of focus during the report period include approval of the incentive bonus, key performance measures of the CEO and senior management, the long-term incentives and the salary increases.

For further information on activities during the reporting period and key areas of future focus refer to the Remuneration Report, incorporated in the Integrated Annual Report.

### Chairman

NNA Matyumza (independent non-executive)

### Composition

#### Independent non-executive directors

CA Boles  
GHM Watson  
TP Leeuw (Chairman of Nomination agenda items)

The nomination of Board members to be considered at the annual general meeting of shareholders is the responsibility of the Board.

#### Invitees

RG Jacob (CEO)  
MA Janneker (Group Executive: Human Capital)

### Frequency of scheduled meetings

Three meetings per annum

### Secretary

W Fitchat (Company Secretary)

# CORPORATE GOVERNANCE CONTINUED

## Social, Ethics and Sustainability Committee

### Core responsibilities

The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Social, Ethics and Sustainability Committee's key responsibilities are:

- Recommend to the Board the strategies and policies to be adopted to ensure the group's transformation, social and ethics targets are achieved.
- Align the group's transformation, social and ethics strategy with its overall business strategy.
- Monitor the implementation and efficacy of the employment equity, black management development, black equity ownership, preferential procurement, skills and enterprise development and socio-economic initiatives of the group.
- Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships.
- Review policies and statements on ethical standards, the code of conduct for suppliers and service providers and on whistle-blowing.
- Oversee and monitor the implementation of safety, health and environment policies, strategies, targets, plans and systems and review the safety, health and environment risk profile.

Key areas of focus of the committee during the reporting period are set out in Annexure A of the AGM notice, incorporated in the Integrated Annual Report.

Key areas of future focus will be to monitor the implementation of the transformation plan.

### Chairman

VN Khumalo (non-executive director)

### Composition

#### Independent non-executive director

Dr B Mehlomakulu

#### Non-executive director

SP Ngwenya

#### Executive director

RG Jacob (CEO)

#### Group executive

BA Mngadi (Group Executive: Corporate Affairs)

#### Invitees

C Fisher (Group Executive: Strategy and Supply Chain)

MA Janneker (Group Executive: Human Capital)

AP Krull (CFO)

M Reddy (Technical and Safety director, Hulamin Rolled Products)

### Frequency of scheduled meetings

Three meetings per annum

### Secretary

W Fitchat (Company Secretary)

## Chairman's Committee

### Core responsibilities

The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Chairman's Committee key responsibilities are:

- Address matters relating to governance or relationships and dynamics within the Board.
- Progress specific strategic projects.

Key areas of focus during the reporting period addressed strategic projects.

Key areas of future focus will be to progress specific strategic projects.

### Chairman

TP Leeuw

(independent non-executive director)

### Composition

#### Independent non-executive directors

PH Staude<sup>1</sup>

N Maharajh

NNA Matyumza

GHM Watson

#### Non-executive director

VN Khumalo

#### Invitees

RG Jacob (CEO)

AP Krull (CFO)

CA Boles (independent non-executive director)

RL Larson (independent non-executive director)

B Mehlomakulu (independent non-executive director)

SP Ngwenya (non-executive director)

MZ Mkhize<sup>2</sup> (MD: Hulamin Rolled Products)

### Frequency of scheduled meetings

As and when required

### Secretary

W Fitchat (Company Secretary)

<sup>1</sup> Retired with effect from 30 June 2019

<sup>2</sup> Resigned with effect from 28 February 2020



The group has a number of executive committees consisting of executive directors and other senior executives, with formal terms of reference:

- Executive
- Broad-based black economic empowerment (B-BBEE)
- Risk management
- Technology and Information (TI) management
- Safety, health and environment

## Executive Committee

### Core responsibilities

The objective of the committee is to assist Hulamín's Board in discharging its responsibilities, while acting within the parameters of the authority limits agreed by the Board. The responsibilities of the committee are set out in written terms of reference, which are reviewed from time-to-time.

The Executive Committee's key responsibilities are:

- Recommend the business strategy, business plans and budgets to be adopted by the group.
- Manage the implementation and execution of business strategies and plans approved by the Board.
- Recommend major acquisitions and disposals as part of the group's business strategy.
- Ensure the group's systems of internal control, governance (including that of information technology) and risk management are both robust and well managed.
- Implement the approved authorities matrix managed within the organisation and approve the appointment of senior managers and the members of the group's other executive committees.
- Approve the capital expenditure plans of the group, within the budget approved by the Board.

Key areas of focus during the reporting period include revised performance reporting dashboards and the reporting on key strategic projects.

Key areas of future focus include the execution of the business plan and strategic plan approved by the Board.

### Chairman

RG Jacob

### Composition

The Executive Committee consists of the executive directors and other senior executives.

### Current members

MZ Mkhize  
MA Janneker  
BA Mngadi  
AP Krull  
C Fisher

### Invitee

S Vally

### Frequency of scheduled meetings

11 meetings per annum

### Secretary

W Fitchat (Company Secretary)

# CORPORATE GOVERNANCE CONTINUED

## Broad-based Black Economic Empowerment (B-BBEE) Committee

### Core responsibilities

The Hulamin B-BBEE Committee reports to the Social, Ethics and Sustainability Committee on the six elements of the B-BBEE scorecard, which are:

- Ownership;
- Management control;
- Employment equity;
- Skills development;
- Preferential procurement;
- Enterprise development; and
- Socio-economic development.

The B-BBEE Committee's key responsibilities are:

- To provide strategic direction with regard to Hulamin's overall B-BBEE strategy.
- Align Hulamin's B-BBEE strategy with the overall business strategy of the company.
- Monitor and review B-BBEE progress within Hulamin.
- Provide the mandate for the setting of targets for the various B-BBEE elements.
- Development of appropriate strategies and processes for the achievement of B-BBEE targets.
- Review the progress towards the achievement of the B-BBEE targets and provide direction where challenges are experienced.
- Ensure the appropriate communication of the company's B-BBEE strategy and the implementation thereof.
- Create a platform for sharing B-BBEE information and relevant experiences from which we can learn.
- Review the company's compliance with employment legislation and regulatory requirements, e.g. the Employment Equity Act, Black Economic Empowerment Act.
- Report to the Social, Ethics and Sustainability Committee.

Key areas of focus during the reporting period include oversight of initiatives to improve B-BBEE scorecard rating, actions to achieve employment equity targets and to address strategic empowerment projects.

The above remains key areas of future focus.

### Chairman

RG Jacob

### Composition

MA Janneker	E Jonker	R Green-Thompson
AP Krull	I Smith	S Khosa
S Vally	M Reddy	BA Mngadi
Z Gumede	C Fisher	FB Bradford
MZ Mkhize		

### Frequency of scheduled meetings

Four meetings per annum

### Secretary

L Sililo (Human Resource Operations Manager)

## Risk Management Committee

### Core responsibilities

While the Board is ultimately accountable for risk management through the Risk Committee, the implementation of the group's risk management policies and systems of internal control is an integral part of management of the group's operations.

The Risk Management Committee's key responsibilities are:

- Recommend to the Risk Committee the risk management strategies and policies of the group.
- Review the integrity and appropriateness of the group's systems of risk assessment and management.
- Identify new or emerging risks related to all aspects of the business, including financial, operational and compliance risks.
- Monitor risk reduction actions.
- Review the internal controls that have been implemented to manage significant risks, and the assurance provided in respect of those controls.
- Report on its activities to the Risk Committee.

Key areas of focus during the reporting period include the embedding of risk-based thinking at all levels of the business, monitoring of the risk change management plan, the introduction of operational and process risk management, and the review and progress monitoring of strategic risks.

The above remains key areas of future focus.

### Chairman

AP Krull

### Composition

FB Bradford	BA Mngadi	R Green-Thompson
Z Gumede	RG Jacob	M Z Mkhize
C Fisher	MA Janneker	M Reddy
		I Smith

### Invitees

H de Villiers	P Lancaster
L Farquharson	S Vally
L Ncoliwé	

### Frequency of scheduled meetings

Three meetings per annum

### Secretary

W Fitchat (Company Secretary)

## Technology and Information (TI) Management Committee

### Core responsibilities

The TI Management Committee's key responsibilities are:

- Ensure that an TI governance charter and policies are established and implemented.
- Promote an ethical TI governance and management culture.
- Provide leadership and direction to ensure that the TI function achieves, sustains and enhances the company's strategic objectives.
- Ensure that an TI governance framework is adopted and implemented and that the Board via the Audit Committee receives independent assurance on the effectiveness thereof.
- Ensure that the TI strategy is integrated within the company's strategic and business processes.
- Ensure there is a robust process in place to identify and exploit appropriate opportunities to improve the performance and sustainability of the company.
- Oversee management who is responsible for the implementation of all the structures, processes and mechanisms to execute the TI governance framework.
- Ensure the company obtains independent assurance on the governance of TI, and that adequate controls are in place for outsourcing TI services.
- Ensure TI legal risks are addressed.
- Ensure that there are systems in place for the management of information assets.
- Ensure that the information security strategy is successfully implemented.
- Ensure operational stability, systems development, support and enhancements.
- Improving network capacity.
- Ensure that there are systems in place for personal information to be treated by the company as an important business asset and that all personal information that is processed by the company is identified.
- Ensure appropriate reporting to the Executive Committee and to Board Committees.

Key areas of focus during the reporting period include an overview of the arrangements for governing and managing Technology and Information including Strategy and Digital Transformation.

The above remains key areas of future focus.

### Chairman

AP Krull

### Composition

S Vally	M Groenewald	L Ncolive
C Fisher	M Reddy	I Smith
H de Villiers	J Crafford	L Steenkamp
D Seager	R Mabunda	C Jacobs

### Frequency of scheduled meetings

Six meetings per annum

### Secretary

D Seager (General Manager: Technology & Information)

## Safety, Health and Environment Committee

### Core responsibilities

The Safety, Health and Environment (SHE) Committee's key responsibilities are:

- Review SHE performance.
- Review major SHE risks.
- Monitor actions to reduce SHE-related risks.
- Identify new or emerging risks related to SHE.
- Review of the internal controls to manage SHE risks.
- Review SHE policies
- Review legal updates and the consequences thereof
- Review sustainability performance in line with the strategy
- Report to the Social, Ethics and Sustainability Committee

### Chairman

M Reddy

### Composition

FB Bradford	AP Krull
H de Villiers	M Ramdeen
C Fisher	M Maku
R Green-Thompson	R Venkatsami
RG Jacob	MZ Mkhize
P Grobler	P Xaba
P Lancaster	B A Mngadi
MA Janneker	

### Frequency of scheduled meetings

Three meetings per annum

### Secretary

D Jackson (Chemist and Environmental Specialist)



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