

# FOCUS ON VALUE

GLOBAL MACRO-ECONOMIC FACTORS, AS WELL AS REGIONAL AND DOMESTIC DYNAMICS, CONTRIBUTED TOWARDS YET ANOTHER CHALLENGING YEAR FOR IMPLATS. HOWEVER, THE RESULTS THE COMPANY HAS DELIVERED PROVIDE AN ENCOURAGING INDICATION THAT ITS TURNAROUND STRATEGY IS BEARING FRUIT, AND THAT IT IS WELL ON COURSE TO ACHIEVING ITS GOALS OF CEMENTING ITSELF AS A RESILIENT, THRIVING AND SUSTAINABLE ENTITY.

**Mandla Gantsho**  
Chairman



## DYNAMIC OPERATING CONTEXT

In South Africa, factors such as rand volatility, wage negotiations, community dissatisfaction and the operational and financial crisis at Eskom all posed challenges to domestic producers. In Zimbabwe, the government introduced a local currency, the RTGS, and brought an end to the multi-currency monetary system introduced in 2009. Regrettably, Zimbabwe has seen the return of crippling hyper-inflation. The economic crisis has been compounded for Zimbabwe's citizens by the effects of the drought, power cuts of up to 18 hours a day and shortages of everything from bread to motor fuel.

As an industry, we have started to see a shift away from a prolonged period of muted demand and subdued prices. While platinum pricing remains constrained, the fundamentals for palladium and rhodium have strengthened over the past year. Increased environmental regulations accelerated demand for these metals, which are used in gasoline vehicle emission systems. Pessimistic diesel sentiment impacted platinum negatively and stimulated gasoline car sales, which in turn further supported palladium and rhodium.

Domestically, platinum miners continue to face challenging stakeholder expectations. Government seeks enhanced transformation, job creation and taxes from a shrinking mining sector. Communities, frustrated with rising unemployment and poor service delivery, turn increasingly to private sector employers to meet their expectations. Organised labour seeks to meet its mandate of securing better conditions and higher wages for members from a resources sector facing significant challenges.

## ADVANCING IMPLATS' TURNAROUND STRATEGY

These pressures, among others, resulted in Implats' strategic restructuring to position the Group to deliver sustainable outcomes and benefits to all its stakeholders.

The Group strategy of "value over volume" is making sound progress in lessening the Group's exposure to high-cost, deep-level conventional mining, with the first phase of the Impala Rustenburg restructuring complete, and the second phase in implementation. A sustained turnaround at Marula and a return to profitability at Impala during the year have provided further impetus in this journey.

The Group has also made progress in enhancing the competitiveness of the portfolio of assets. Some 37% of all assets are now mechanised, the metal mix is shifting towards a higher palladium bias, the palladium-rich Waterberg project has advanced, and Impala Refining Services is now housed within Impala.

The stresses of the past several years had left Implats in a severely weakened financial position, which meant Impala Rustenburg's return to profitability was critical for the Group to be sustainable and meet stakeholder expectations. I am pleased to report that today, Impala Rustenburg is generating free cash flows. Together with solid performances from all other operations, the transformation of the Group's financial position is profound. Cash, net of debt, improved by R6.4 billion (>100%) to R1.1 billion, and at year-end, the Group had financial headroom of R12.2 billion available: R8.2 billion in cash and facilities of R4.0 billion. Post-year-end, the successful early conversion of the Implats US\$3.25% convertible bonds further strengthened the balance sheet by some US\$250 million.

## STRENGTHENING OUR LICENCE TO OPERATE

Safety remains an ongoing priority. During the year, management re-doubled its efforts to improve the Group safety record. The focus on leadership visibility, interaction and coaching is changing the way people behave. The progress was supported by our sustained safety investment in targeted safety initiatives, technical solutions and training across the Group.

Despite efforts and gains that have been made in this arena, it is deeply regrettable that five lives were lost at managed operations during the year. We remain unwavering in our commitment to achieving our vision of zero harm.

The year saw encouraging improvements in promoting health and well-being in the workplace. Encouraging results were achieved in reducing tuberculosis and HIV levels among employees, a steady decrease in noise-induced hearing loss was reported, and positive results were achieved from our educational and counselling interventions to address employee over-indebtedness and mental health.

Implats' environmental policy commits the Group to demonstrating responsible stewardship of our natural resources and to mitigating environmental impacts of our activities. I am delighted that Implats recorded no fines or sanctions for non-compliance with environmental regulations during the year under review, and no "major" (level 5) or "significant" (level 4) environmental incidents at any of our operations since 2013. All our operations are certified against ISO 14001:2015 for their environmental management systems.

Water is our most significant environmental concern – given our water-scarce operating environments. Progress was made in our water conservation strategies, in line with our commitment to reduce our levels of potable water used and increase operational reliance on recycled water.

Tailings represent a major environmental liability and the integrity of tailings dams is under increased global scrutiny following serious tailings dam breaches in the mining industry worldwide in recent years. The Group conducted a rigorous independent review of the management and monitoring of its four active tailings storage facilities (TSFs) at managed operations during the year and I am pleased to report that the results of the latest audits all attest to the integrity of Implats TSFs in South Africa and Zimbabwe, as well as the high level of compliance to standard operating procedures.

It is gratifying that Implats remains a constituent of the FTSE/JSE Responsible Investment Index Series, which identifies South African companies that demonstrate socially and environmentally responsible practices and good governance. In the 2018 Index, Implats scored an overall ESG rating of 4.2 out of 5, versus the platinum and precious metals sub-sector average of 3.3 out of 5.

The sustainability of our mining activities depends on the well-being and prosperity of our mine communities. We continue to invest in socio-economic development projects that drive our transformation requirements. These many initiatives are fully explored in our 2019 sustainability development report, which accompanies the 2019 suite of corporate reports.

## CHAIRMAN'S REVIEW

### ETHICS, INTEGRITY, ENGAGEMENT

Implats is committed to promoting the highest standard of corporate governance and ensuring that our practices comply with the principles of the King IV Code of Corporate Governance for South Africa. During the year, an ethics management audit was conducted, and action plans are now being implemented to address areas needing improvement.

Stakeholder engagement remains key to the successful implementation of the Implats strategy. We have advanced the implementation of an effective stakeholder engagement strategy, paying cognisance to King IV and the AA1000 Assurance Standard principles of materiality, completeness and responsiveness. During the year, a wide range of stakeholder engagements were conducted across a broad spectrum.

The goal of contributing to socio-economic transformation remains a strategic imperative. The Group actively seeks to play a role in meeting government social and economic development goals in South Africa and Zimbabwe. We are committed to complying with the requirements of South Africa's MPRDA, and to meeting the expectations set out in the Mining Charter.

In Zimbabwe, we continue to engage with the government to support the growth and diversification of the PGM industry, a key component of the country's economic recovery programme. Key developments during the year have seen the relaxation of the indigenisation policy, which has encouraged some investment inflows, and the suspension of a proposed tax on unrefined platinum exports until the end of 2022. Zimplats operated for its first year under the conditions of new converted mining rights and normalised tax provisions. We continue to engage with the Chamber of Mines on areas of uncertainty around beneficiation policy.

### OUTLOOK

South Africa and Zimbabwe have both seen positive legislative changes during the year, and we had meaningful and fruitful dialogue with leaders in both countries. However, the economic crisis in Zimbabwe, together with muted economic prospects for South Africa, have implications for companies operating in both countries.

While the near-term outlook for platinum has improved, the current strength in both palladium and rhodium fundamentals are expected to persist, supported by dollar metal prices. This bodes well not only for an increased role for PGMs in cleaning the atmosphere, but also for the increasing opportunities to use platinum-catalysed fuel cells for zero-emission, carbon-free energy to address global decarbonisation.

We remain committed to our long-term strategic intent to favour value over volume, embedding achieved operational improvements to build sustainability through consistently producing in a safe, productive, responsible and profitable manner.

### APPRECIATION

During the year we welcomed chief financial officer Meroonisha Kerber, independent non-executive director and audit committee chairman Dawn Earp, and independent non-executive director and audit committee member Preston Speckmann to the board of directors with effect from 1 August 2018. Post the end of the reporting period, Udo Lucht resigned from his position as a non-executive director. Boitumelo Koshane was appointed as a non-executive director representing the Royal Bafokeng Nation. On behalf of the board, I extend my sincere appreciation to Udo for his contribution to our deliberations. I bid all our new colleagues a warm welcome to our board and wish them well in serving the Company and its many stakeholders.

I extend my sincere appreciation to my fellow board members, the Implats management team and all Implats employees for their contribution to what has been a pivotal year for the Group.

**Dr Mandla Gantsho**  
Chairman

## OUR OPERATING CONTEXT

**OUR GROUP STRATEGY IS INFLUENCED BY THE EXTERNAL MACRO-ENVIRONMENT IN WHICH WE OPERATE, PGM MARKETS AND THE STRATEGIES OF OUR COMPETITORS. THIS ENVIRONMENT PRESENTS OPPORTUNITIES TO BE TAKEN ADVANTAGE OF AND THREATS TO BE MITIGATED, WHILE LEVERAGING OUR STRENGTHS AND ADDRESSING OUR WEAKNESSES.**

The articulation of our strategy is therefore informed by the following analyses:

- ➊ **MARKET ANALYSIS** – an analysis of the PGM supply/demand dynamics, the global trends that alter customer needs and affect the industry, and the outlook for the future demand for PGMs and their prices
- ➋ **PESTEL ANALYSIS** – an analysis of macro-environmental factors (political, economic, social, technological, environmental and legal) that drive the global outlook for our products as well as specific analyses for our operating jurisdictions and the implications of operating in South Africa and Zimbabwe
- ➌ **COMPETITOR ANALYSIS** – a review of the operational and financial performance of our key industry competitors, the strategies they pursue in the market place, and the market's assessment of their relative success
- ➍ **SWOT ANALYSIS** – an examination and understanding of the Group's strengths and weaknesses and identification of opportunities and threats



Impala Rustenburg

## OUR OPERATING CONTEXT

How we go about creating value depends on successfully negotiating a dynamic operating context. Several global, regional and local issues have important implications for our business model and how we create and share value for the benefit of all our stakeholders.

### MACRO-ECONOMIC FACTORS

The July 2019 update to the International Monetary Fund's (IMF's) World Economic Outlook, saw it lowering its global growth forecast to 3.2% in 2019 from the 3.3% forecast in April 2019, on slow first half growth, trade tensions and continued uncertainty about Britain's withdrawal from the European Union. The IMF report also downgraded the forecast for 2020 to 3.5% from 3.6%. A breakdown of countries showed growth results were weaker than expected for emerging markets and developing countries. In sub-Saharan Africa, the IMF expects growth of 3.4% in 2019 and 3.6% in 2020, on lacklustre performances from the region's largest economies. Growth in South Africa is expected to be subdued after a very weak first quarter in 2019, reflecting a larger-than-anticipated impact of strike activity and energy supply issues in mining, and weak agricultural production.

#### Impact on value

- Across emerging markets and developing economies, debt increased rapidly resulting in the need for strengthened fiscal policies to stabilise and spur economic recovery.
- Debt containment is a growing imperative for governments, in the face of a critical need for infrastructure and social spending to mitigate social unrest.
- Further escalation in trade tensions, rising geopolitical risks and policy uncertainty in major economies, could lead to a sudden deterioration in risk sentiment, which could see capital flows retreat from emerging market and frontier economies and impact negatively on commodity prices.

#### Our response

- We remain cautious on a platinum price recovery given a sluggish growth in demand and a continued surplus and expect slight growth in the palladium and rhodium markets.
- We have intensified in-country stakeholder engagement with governments at all levels.
- We actively and continuously assess conditions in the countries where we sell our metals across all the key demand sectors.
- Our market development activities are tailored to support key market segments and grow new areas of demand. We are aligned with and support key institutional partners (such as WPIC, PGI, IPA).
- Relationships with key customers, globally, are grown and sustained.

### REGULATORY ENVIRONMENT IN SOUTH AFRICA AND ZIMBABWE

The socio-political context in the countries in which we operate – South Africa and Zimbabwe – remains dynamic. There is considerably more regulatory certainty in both jurisdictions than in prior reporting years. Mining Charter III has provided a level of certainty in some aspects of South African mining policy, while in Zimbabwe the indigenisation policy has been relaxed.

#### Impact on value

- Implats has established good relations with the South African government, and mining companies, working through the industry association Minerals Council South Africa, are engaging in constructive dialogue to come to mutually beneficial outcomes in terms of sticking points in Mining Charter III.
- In Zimbabwe, the relaxation of the indigenisation policy has encouraged some investment inflows, while a proposed 15% tax on unrefined platinum exports was suspended until the end of 2022. In addition, during FY2019, Implats operated for its first year under the conditions of new converted mining rights and normalised tax provisions.

#### Our response

- The Group remains committed to collaboration with all stakeholders to ensure an attractive and sustainable industry.
- We fully support the South African and Zimbabwean governments' aspirations to grow and transform their mining industries.
- We continue to engage at all levels in both countries to encourage the growth and predictability necessary to ensure Implats continues its significant contribution to economic growth in South Africa and Zimbabwe.

### PRICING, SUPPLY AND DEMAND

Muted metal prices over the past few years and negative sentiment related to anticipated weaker supply/demand fundamentals has been largely informed by slower diesel vehicle growth expectations, the projected rate with which the vehicle fleet could be electrified and slowing platinum jewellery sales in China.

While sentiment towards platinum remains subdued, palladium and rhodium fundamentals have strengthened significantly. Platinum pricing continues to struggle, but its discount to both palladium and rhodium is spurring efforts to reconsider the mix of metals used in gasoline light-duty catalysis.

Implats' view is that while palladium supply growth is likely to outstrip that of platinum and rhodium over our forecast horizon, the market is likely to remain in a deep and structural deficit in the medium term.

**Impact on value**

- Supply/demand fundamentals have a direct impact on metal prices and market sentiment, resulting in platinum prices remaining subdued, with palladium and rhodium prices growing strongly more recently.
- Low metal prices have a direct impact on profitability, the generation of shareholder returns and our ability to fund and grow the business into the future.
- The potential for prolonged, relatively flat platinum prices remains strong.
- Palladium should continue to receive strong price support, incentivising a partial switch back to platinum use in the auto sector.
- Platinum and palladium will continue to receive demand support from increasing emission regulations and growth in the global vehicle fleet in the short to medium term.

**Our response**

- Implats uses conservative price forecasts, given muted platinum sentiment and global risk factors.
- Group-wide cost-saving and turnaround initiatives have been implemented over the past four years.
- To sustainably improve its competitive position, profitability and financial returns, Implats has committed to a value-over-volume focused strategy. The Group is reducing its exposure to higher-cost, labour intensive conventional operations to improve flexibility, capacity and sustainably generate attractive returns.
- The strategic transformation of Impala Rustenburg is designed to unleash the value of the operation, for the benefit of all stakeholders, and for the long-term sustainability of the Group.
- A maintained focus on cash conservation and strengthening the balance sheet.
- Rigorous capital allocation criteria with a focus on low-cost, palladium-rich, mechanisable assets.

**AUTOMOTIVE AND JEWELLERY MARKETS**

Platinum demand declined by 5.3% in calendar 2018 due to declining light-duty diesel vehicle sales in Western Europe and weaker Chinese jewellery demand, despite robust industrial offtake.

LMC Automotive reported that sales of light-duty vehicles were down 0.5% from 2017, representing the first annual decline in global sales since 2009. Meanwhile, Platinum Guild International (PGI) reported that the performance in China continues to disappoint, with the estimated jewellery decline accelerating in late 2018. In total, PGI forecasts a manufacturing demand decline of 14% year-on-year, with a drop in both gifting and self-purchase categories. In addition, there was weakening in the core bridal market, which faced increasing competition from white gold due to the variety and innovation emanating from manufacturers better equipped to meet changing consumer demand.

**Impact on value**

- The decline in Chinese jewellery demand is one factor driving negative sentiment around platinum, affecting price and investment decisions.
- A wholesale change to different vehicle technologies will impact the demand for our metals with consequent metal price impacts.
- Pure battery EV development will have a larger impact on value.
- The impact on value from hybrid electric/internal combustion engines will be less significant.

**Our response**

- We continue to focus on maintaining our visibility and marketing spend in China through the PGI, focusing on platinum bridal jewellery at bridal fairs in Tier 1 cities.
- The EV market is overestimating the negative impact of powertrain electrification on platinum demand in the long term. The move towards EVs can only be answered by having a large part of the vehicle fleet as hybrid, plug-in hybrid and fuel-cell vehicles, all of which contain PGMs.
- Diesel technology remains essential to reducing global vehicle fleet greenhouse gas emissions.
- We continue to support the International Platinum Association (IPA) in their engagement with and lobbying of automotive-related policymakers and local and national governments.
- Long-term, we expect a growing hydrogen economy and the increasing adoption and advancement of fuel cell vehicles.

**MEETING STAKEHOLDER EXPECTATIONS**

Platinum miners continue to face challenging stakeholder expectations. Government seeks enhanced transformation, job creation and taxes from a shrinking mining sector. Communities, frustrated with rising unemployment and inequality and poor service delivery, turn increasingly to private sector employers to meet their expectations. Organised labour seeks to meet its mandate of securing better conditions and higher wages for members from a resources sector facing significant challenges. For its part, the investment community is seeking an attractive return on investment. The phased restructuring at Impala Rustenburg compounds this situation, as labour rationalisation is inevitable.

**Impact on value**

- Stakeholder expectations and our response to these have a significant impact on our legal and social licence to operate, which in turn could impact on investment decisions and the Company's bottom line.
- The section 189 processes in place at Impala Rustenburg, as well as the wage negotiations, increase tensions with union shop stewards and head office officials, leading to increased labour action risks.
- Retrenchment has the potential to damage the trust relationship with the Department of Mineral Resources.

## OUR OPERATING CONTEXT

### Our response

- We continue to implement rigorous and effective stakeholder engagement strategies, to build and maintain value-enhancing relations with all key stakeholders, to create sustainable shared value and to secure our social licence to operate.
- Implats has developed supporting systems, processes, policies, targeted engagement and communication plans to this end.
- In all cases where job loss avoidance measures are not successful, Impala Rustenburg is committed to implementing the required changes in consultation with all social partners to mitigate the socio-economic impacts as far as possible.
- Discussions are ongoing with key stakeholders, including government and the relevant trade union representatives, on the restructuring and wage negotiations – to secure the future viability of the Group to the benefit of all stakeholders.

### ENVIRONMENTAL STEWARDSHIP

Our activities associated with the exploration, extraction and processing of Mineral Resources result in the unavoidable disturbance of land, the consumption of resources and the generation of waste and atmospheric and water pollutants. We also operate in a region afflicted by power and water shortages and an ever-increasing cost for their supply.

### Impact on value

- Scarcity of water in the region and insecurity of power supply impacts our ability to operate effectively and the increasing cost of resources has a negative impact on profitability.
- There is also an indirect impact on our social licence to operate as we share these resources with local communities.
- Growing regulatory and social pressure, increasing demands for limited natural resources and the changing costs of energy and water all highlight the business imperative of responsible environmental management.

### Our response

- Implats has an environmental policy that commits the Group to conducting its exploration, mining, processing and refining operations in an environmentally responsible way and to ensure the well-being of its stakeholders.
- The policy also commits to integrating environmental management into all aspects of the business with the aim of achieving world-class environmental performance in a sustainable manner.
- We work actively with all stakeholders to conserve natural resources.
- Measures have been taken to address security of resource supply – for example through efficiency, recycling and fuel-switching – and to actively minimise our impacts on natural resources and on the communities around our operations.
- These measures have direct benefits in terms of reduced costs and liabilities, enhanced resource security and the improved security of our licence to operate.



Marula Concentrator Plant

**1 MARKET ANALYSIS**

**SOFTER DEMAND FOR PLATINUM OVER THE SHORT TERM IS IN CONTRAST TO THE STRONG FUNDAMENTALS FOR BOTH PALLADIUM AND RHODIUM**

**METAL OUTLOOK**

METAL	OUTLOOK		
	(000oz)	2019* (Forecast)	2018
<b>PLATINUM</b>	<ul style="list-style-type: none"> <li>• Softer demand confirms “new normal” low pricing levels as long-term automotive demand is led downward by legislation and consumer preference</li> <li>• Primary supply anticipated to taper off as high-cost production leaves the market; meanwhile recycling supply is set to peak in 2022 and remain flat thereafter</li> </ul>		
	<b>DEMAND</b>		
	Automotive	2 870	3 040
	Industrial	2 250	2 250
	Investment	795	(85)
	Jewellery	2 050	2 215
	<b>Total demand</b>	<b>7 965</b>	<b>7 420</b>
	<b>SUPPLY</b>		
	South Africa	4 390	4 493
	Zimbabwe	465	453
	North America	345	335
	Russian sales	660	640
	Others	125	125
Recycle – auto	1 420	1 501	
Recycle – jewellery	560	580	
Recycle – other	35	40	
<b>Total supply</b>	<b>8 000</b>	<b>8 167</b>	
<b>Movement in stocks</b>	<b>35</b>	<b>747</b>	

METAL	OUTLOOK		
	(000oz)	2019* (Forecast)	2018
<b>PALLADIUM</b>	<ul style="list-style-type: none"> <li>• High demand supports a price premium. However, in the long term the automotive industry could reverse this premium through substitution of platinum back into petrol catalysis</li> <li>• Secondary supply from recycling is expected to grow steadily over the long term as the number of end-of-life vehicles increases</li> </ul>		
	<b>DEMAND</b>		
	Automotive	9 010	8 531
	Industrial	1 800	1 850
	Investment	(65)	(565)
	Jewellery	205	200
	<b>Total demand</b>	<b>10 950</b>	<b>10 016</b>
	<b>SUPPLY</b>		
	South Africa	2 478	2 450
	Zimbabwe	375	385
	North America	1 123	1 040
	Russian sales	2 607	2 670
	Others	212	212
Recycle – auto	2 900	2 600	
Recycle – jewellery	65	55	
Recycle – other	485	485	
<b>Total supply</b>	<b>10 245</b>	<b>9 897</b>	
<b>Movement in stocks</b>	<b>(705)</b>	<b>(119)</b>	

METAL	OUTLOOK		
	(000oz)	2019* (Forecast)	2018
<b>RHODIUM</b>	<ul style="list-style-type: none"> <li>• Deepening deficit from 2022 as world output decreases, is supportive of prices</li> <li>• Demand is primarily driven by the automotive sector and is expected to show steady growth</li> </ul>		
	<b>DEMAND</b>		
	Automotive	888	859
	Industrial	175	180
	<b>Total demand</b>	<b>1 063</b>	<b>1 039</b>
	<b>SUPPLY</b>		
	South Africa	628	615
	Zimbabwe	44	45
	North America	21	22
	Russian sales	73	73
	Others	5	5
	Recycle – auto	355	340
	<b>Total supply</b>	<b>1 126</b>	<b>1 100</b>
<b>Movement in stocks</b>	<b>63</b>	<b>61</b>	

\* Above dates refer to calendar years

**– IMPLICATIONS FOR IMPLATS**

- High-cost, platinum-biased operations, such as the labour-intensive Impala Rustenburg, will remain at risk at lower prices
- Balance sheet management is essential to survive “new normal” low prices
- Maintain conservative platinum price forecast in the medium term
- Improve the position of the portfolio on the industry cost curve, including improving unit cost performance on existing operations and targeting low-cost assets not biased toward platinum (refer to strategic objectives page 71)

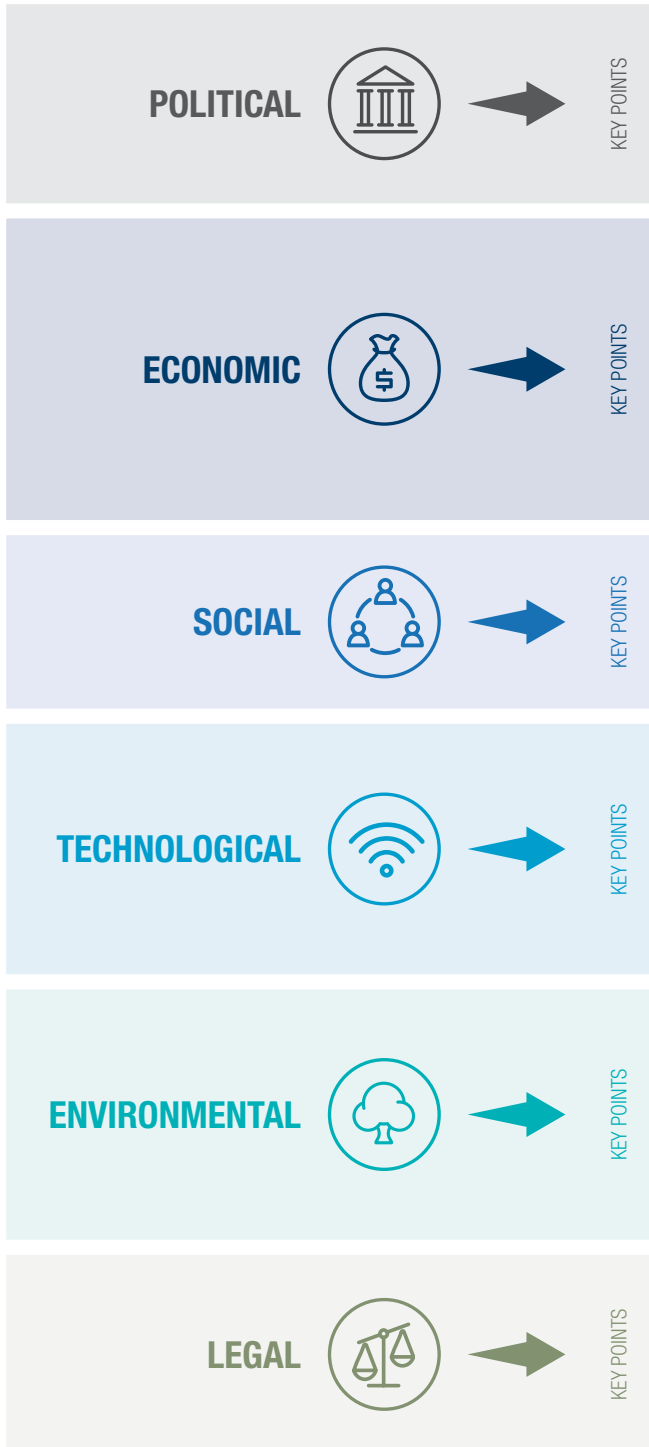
- Increase exposure to palladium (eastern limb, Zimbabwe, Waterberg)
- Remain bullish on the palladium price forecast

- Increase exposure to rhodium
- Remain bullish on the rhodium price forecast
- Identifying suitable reserves will be challenging



# OUR OPERATING CONTEXT

## PESTEL ANALYSIS



# GLOBAL

VOLATILE AND UNCERTAIN

- Increasing right-wing populism
- Associated political volatility increases uncertainty in environmental regulation

- Conditions remain volatile, while the escalating international trade war impacts global growth

- Poor safety performances impact investment negatively
- Social factors can drive accelerated adoption of electric vehicles

- Improvements in solar power, battery technologies, autonomous driving, combined with “mobility as a service” can drive accelerated adoption of electric vehicles
- Hydrogen technologies are rising but still small

- Urgent and drastic intervention required to limit the impacts of climate change

- Current regulatory commitments to emission reduction fall significantly short of what is required to prevent significant climate change

- IMPLICATIONS FOR IMPLATS**
- Platinum demand is not expected to benefit from global economic growth due to a structural change in demand. The western limb is significantly impacted
  - Negative sentiment toward diesel and internal combustion engines (ICEs) can have a significant downside impact for platinum and PGMs
  - Continuing effects of the VW scandal
  - Approximately 80% of platinum supply is in southern Africa, a politically and socially risky region, while palladium is available in more stable dispensations such as the US, Canada and Russia. Higher palladium prices can be exploited in these geographies supported by deficits of this metal
  - Technological, environmental and social factors could drive EV adoption at a much larger rate than predicted, significantly impacting PGM demand in the long term
  - A global recession could place further downside risk on PGM pricing
  - Rand dollar volatility adds further uncertainty to the pricing environment



## SOUTH AFRICA

THE POLITICAL AND ECONOMIC LANDSCAPE WILL CONTINUE TO BE CHALLENGING FOR THE MINING INDUSTRY

- The narrative is shifting from radical economic transformation towards greater cooperation between government, business, labour and civil society

- Low growth, high debt, inefficient state-owned entities (SOEs) and a ballooning public sector wage bill pose threats to economic growth
- Key input costs (eg labour and power) will continue to escalate significantly
- The credit rating outlook remains poor

- Unemployment, poverty and inequality plague the socio-economic fabric

- Modernisation is being leveraged by some competitors to improve profitability

- Environmental regulations under NEMA have been provided for and will have a non-material future impact on Implats' financial provisions
- Financial guarantees are accepted by the DMR but this may change

- Mining Charter III improves policy certainty but increases cost of compliance

### IMPLICATIONS FOR IMPLATS

- **Effective engagement with government, union and communities is required to support the Impala Rustenburg restructuring**
- **Conducting wage negotiations in this environment will be challenging**
- **The rising cost of labour (especially in the western limb) will continue to reduce the competitiveness of labour intensive cost-sensitive conventional mining operations**
- **Ensure compliance with Mining Charter III and establish positive relationships with stakeholders**
- **The effective adoption of technology by competitors as modernisation efforts ramp-up could pose a threat as it improves their position on the cost curve**
- **Attracting, developing and retaining the best management and technical skills is necessary and could be challenging**



## ZIMBABWE

THE HIGHLY VOLATILE SITUATION REQUIRES A HOLD ON GROWTH ASPIRATIONS AND A FOCUS ON REALISING DIVIDENDS

- The new government has committed to creating a political landscape that stimulates growth and investment; these intentions have not yet translated into legislative change

- The economy is currently highly volatile, with hyperinflation, liquidity challenges and a shortage of basic goods. IMF and World Bank assistance is unlikely at this point

- The potential for economic growth is driven by an abundance of natural resources but is hampered by a shortage of skills in-country

- A lack of investment has resulted in a reliance on outdated technology by the majority of the industry

- Comprehensive environmental legislation exists. However, enforcement is lacking; further clarity is required

- Mining companies can still expect state intervention in mineral resources exploration, mining rights, investment decisions and production

### IMPLICATIONS FOR IMPLATS

- **Developing a growth strategy in the volatile economic situation is risky; this would require a greater degree of economic stability and legislative certainty**
- **Continue to explore growth opportunities, while monitoring the challenging political and economic landscape**
- **Cash returns from Zimbabwe could be challenged by lack of liquidity**
- **Implats remains well positioned relative to new entrants; access to a significant skills base**
- **Good relationships with government may improve Implats' negotiating position on export levies on concentrates, access to foreign currency and beneficiation**



## OUR OPERATING CONTEXT

### ③ COMPETITOR ANALYSIS

#### PGM PRODUCERS HAVE ALREADY STARTED TO REPOSITION THEIR PORTFOLIOS TOWARDS LESS COMPLEX, LOWER COST OPERATIONS. INDUSTRY LEADERS ARE NOTABLY REWARDED BY THE MARKET

South African producers account for approximately 80% of the world’s mined PGMs. The local industry is dominated by three large Tier 1 companies, Anglo American Platinum, Impala Platinum and Sibanye-Stillwater, which collectively produce more than 10 million ounces of PGMs annually. Three mid-tier producers, ARM Platinum, Northam and Royal Bafokeng Platinum, and a few juniors make up the balance of the industry.

Optimism among the South African PGM producers has dwindled as platinum prices have stagnated and costs of mining deep-level conventional mines has soared in recent years. This negative outlook has resulted in several players adjusting their strategies in response.

#### FIVE MAIN PGM PRODUCER STRATEGIES

##### Competitor 1

Growth strategy

- Rand dollar volatility adds further uncertainty to the pricing environment
- Focus on growth to obtain scale
- Actively attempting to move portfolio down the cost curve
- Acquisitions focus on high grade or low-cost assets

##### Competitor 2

Balanced portfolio and modernisation strategy

- Portfolio encompasses high-quality, long-life assets
- Focus on modernisation
- Mine-to-market value chain, including trading capability

##### Competitor 3

Leveraged, acquisitive diversification strategy

- Acquisitive growth targeting marginal assets
- Core capabilities of cost-effective conventional mining
- International focus diversifying their commodity exposure
- High levels of debt

##### Competitor 4

Organic growth, asset optimisation strategy

- High-quality, shallow Merensky assets
- Focused on organic growth
- Financial pressure due to capital investment



- Execute on Impala Rustenburg restructuring
- Improve quality of portfolio
- Maximise value from toll refining

#### – IMPLICATIONS FOR IMPLATS

- A rebalanced portfolio focused on cost-effective mining methods is key to ensure sustainability
- Profitability in a low price environment requires improvements in productivity and cost efficiency at existing conventional mining operations
- Utilisation of excess refining capacity through toll treatment
- Pursue modernisation
- Acquisitive growth opportunities should leverage core capabilities and rebalance the portfolio to a more favourable ore mix

**4 SWOT ANALYSIS**

**IMPLATS HAS SUPERIOR REFINING CAPABILITY. HOWEVER, A SLOW RESPONSE TO CHANGES IN THE PGM INDUSTRY HAVE HAMPERED COMPETITIVENESS**



**STRENGTHS**

- Superior refining capability, efficiencies and product quality
- Large market presence for PGMs and associated metals globally, especially in leading economic zones
- Established relationships and good understanding of Zimbabwe’s political and industrial landscape
- Experience in operating in challenging dispensations



**WEAKNESSES**

- Slow reaction to changes in PGM landscape
- Significant exposure to high-cost, deep, labour intensive and low palladium content mines in the western limb



**OPPORTUNITIES**

- Political developments in Zimbabwe position Implats to leverage well-established, longstanding relations to pursue growth opportunities should the economic situation stabilise
- Improve capital allocation framework and strengthen ability to return value to shareholders



**THREATS**

- Union resistance to job losses at Impala Rustenburg
- Rising utilities costs in South Africa
- Competitor’s focus on performance improvement could move these operations down the cost curve relative to Implats

**– IMPLICATIONS FOR IMPLATS**

- Execution of the Impala Rustenburg restructuring remains imperative
- Focus on low-cost, palladium-rich, shallow, mechanised operations
- Continue to monitor developments in Zimbabwe; pay dividends to Group in the interim
- Maximise value from refining capabilities and capacity
- Optimise the operating model to support execution of strategy
- Disciplined capital allocation and prudent management of liquidity
- Modernisation is necessary to improve competitiveness

## RISKS AND OPPORTUNITIES

### 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.

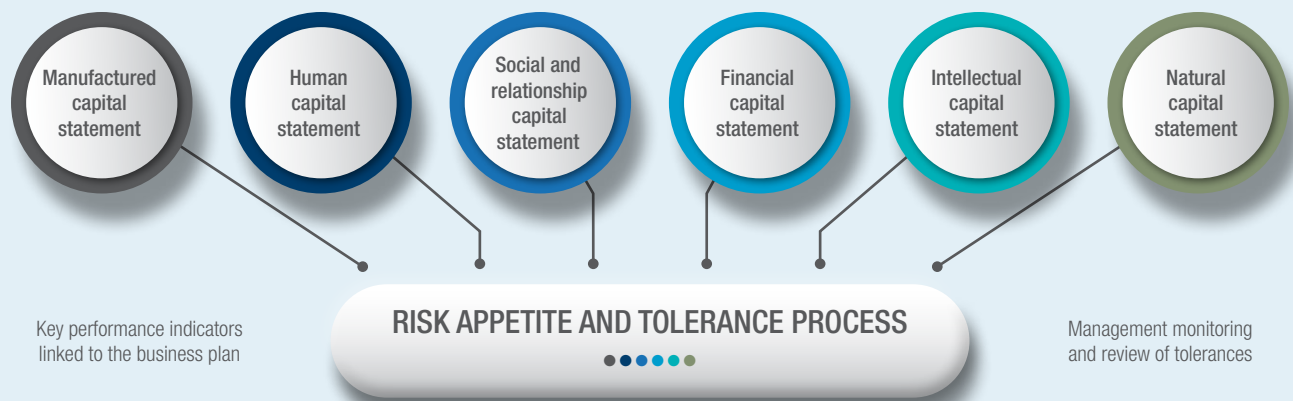
Implats identifies its strategic business objectives and material sustainability focus areas through its structured internal risk management process, and with consideration to the views and interests of its stakeholders. The Implats risk management process is based on the principles of ISO 31000 (2018)/ISO Guide 73:2002, the international risk management standard, which defines risk as "the effect of uncertainty on objectives".



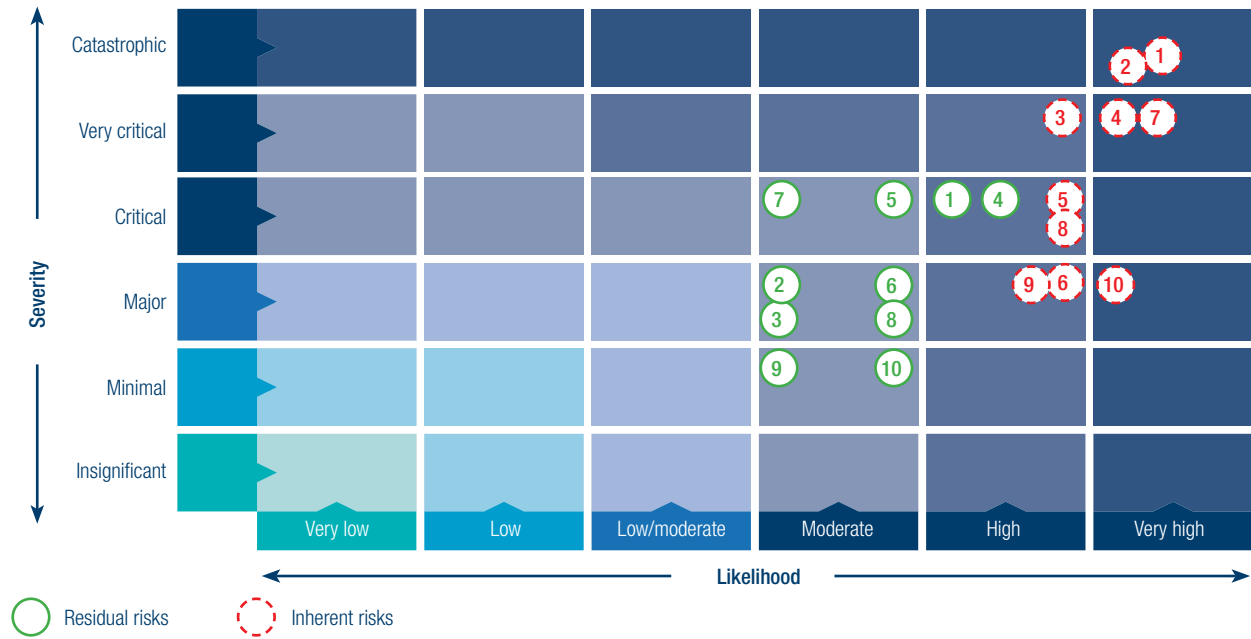
### RISK APPETITE AND TOLERANCE

The challenge for Implats management is to determine how much risk and uncertainty to accept in the achievement of our business objectives. Risk appetite and risk tolerances are essential elements of an enterprise risk management process, as it integrates risk management with business planning and operational management. Risk appetite and tolerance limits set the thresholds of risk that Implats is willing to accept in the pursuit of its objectives and targets. Risk appetite is the aggregate amount of risk the Company is willing to assume in pursuit of its business objectives. Risk tolerance is the maximum allowable variation of achieving specific performance measures linked to the business plan's objectives.

The Implats risk appetite metrics make use of key performance indicators which enable continuous monitoring of risks for movements in potential impact and likelihood. These movements can be caused either by changes in the inherent nature of the risk or by changes in the performance of controls for the risk. Monitoring risks through key performance indicators ensures that any material change to risk profiles are evaluated in the context of risk appetite and risk tolerance limits; and that necessary actions are taken in a timely manner. Thus, key performance indicators should be selected and linked to the capitals (as per the integrated reporting framework) and all key risks so that trends can be monitored to provide early signals of increasing or decreasing risk exposures in various areas of the Company.



RISK MATRIX



GROUP	IMPALA	ZIMPLATS	TOP RESIDUAL GROUP RISKS	MARULA	MIMOSA	TWO RIVERS
1	1		<ul style="list-style-type: none"> <li>① Ability to return Impala Rustenburg to cash neutral/positive position</li> <li>② Weak balance sheet</li> <li>③ Sustained depressed PGM basket prices and its impact on cash flow and liquidity</li> <li>④ Deterioration in safety performance</li> <li>⑤ Zimplats: Availability of foreign currency</li> <li>⑥ Maintaining our social licence to operate and stakeholder relations</li> <li>⑦ Failure to comply with legal and regulatory requirements throughout the value stream</li> <li>⑧ Reduced production flexibility and smelting operations at Impala Rustenburg and Zimplats</li> <li>⑨ Challenged capacity and efficiencies of management layers at SA operations</li> <li>⑩ Security of water supply in South Africa (Bojanala and Rustenburg)</li> </ul>			
2						
3	6	4		6	3	5
4	3					
5		1			1	
6	2			1		2
7				7		6
8	4					
9				9		
10	7			5		9

● Non-controllable    ● Controllable    ● Partially controllable

STRATEGIC OBJECTIVES



REPOSITION IMPALA TO THE LOWER HALF OF THE COST CURVE



OPTIMISE THE VALUE CHAIN



IMPROVE ORGANISATIONAL EFFECTIVENESS



ENHANCE THE COMPETITIVENESS OF OUR PORTFOLIO



OPTIMISE BALANCE SHEET AND CAPITAL ALLOCATION



PROTECT AND STRENGTHEN OUR LICENCE TO OPERATE

# RISKS AND OPPORTUNITIES

## 1 ABILITY AND CAPACITY TO RETURN IMPALA RUSTENBURG TO CASH NEUTRAL/POSITIVE POSITION

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
1.1	<p><b>Context:</b> The restructuring of Impala Rustenburg requires removal of unprofitable ounces by closing 1, 9, 12 and 14 Shafts, resulting in total labour reduction of 15 583 employees (12 183 Impala employees and 3 400 contractors by 2021).</p> <p><b>Risk:</b> Ability to reduce labour without disruption potentially resulting in delays and increased implementation costs.</p>	<p>↑ The risk has increased from potential deterioration in labour relations environment due to:</p> <ul style="list-style-type: none"> <li>&gt; Issue of a section 189 (for phase 2 – Shaft 1 and 3 – Shaft 9) and section 52 notice</li> <li>&gt; Potential deregistration of AMCU following announcement by the Registrar of Labour Relations in a Government Gazette notice</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Senior management engagements on various regulator-established platforms aimed at avoiding negative reaction to announcement of job losses</li> <li>&gt; Minimise impact of job losses, through a formal reskilling process of affected employees</li> <li>&gt; Continued monitoring of the potential AMCU deregistration and the employee relations environment</li> </ul>	
<p><b>IMPACT ON VALUE</b> The Impala Rustenburg restructuring remains management’s key solution to return this part of the business to a cash positive position. Failure to implement the strategy may place the sustainability of Impala operations at risk.</p>				
1.2	<p><b>Context:</b> Impala is a major employer and economic contributor to the Rustenburg area, which is affected by high rates of unemployment and reduced economic opportunities within the communities.</p> <p><b>Risk:</b> Potential for negative economic and social impact of the Rustenburg restructuring on local communities, Rustenburg Municipality and North West province.</p>	<p>→ The risk remains flat due to:</p> <ul style="list-style-type: none"> <li>&gt; Launch of a joint (Impala and RBN) job loss mitigation strategy and project management plan between Impala and RBN to focus on:                             <ul style="list-style-type: none"> <li>– A portfolio of identified job and economic development</li> <li>– A resourcing plan with roles, responsibilities and timelines</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; Establishment of joint RBN and Impala strategic forum and the appointment of a project manager to track identified opportunities and implement action plans</li> <li>&gt; Engagement via key community structures including Rustenburg Municipality regarding the status of the restructuring process and related implications</li> <li>&gt; Execution and monitoring of the job loss mitigation strategy</li> <li>&gt; Direct timeous communication with the communities</li> </ul>	Refer to 1.1 above
<p><b>IMPACT ON VALUE</b> Impala remains committed to being a responsible employer and economic contributor in the communities where it operates. Higher unemployment rates would have a detrimental effect on these communities.</p>				
1.3	<p><b>Context:</b> Impala planned to cease mining operations at 1 Shaft by the end of April 2019. Prior to this, however, Impala is required by legislation to explore all options and test the market for alternatives to closure.</p> <p><b>Risk:</b> Ability to execute shaft closures, outsourcing or disposals within the guided timelines. Shafts affected are 1, 9, 12 and 14.</p>	<p>→ The risk remains flat due to:</p> <ul style="list-style-type: none"> <li>&gt; Exploration of various commercial alternatives for the closure of 1 Shaft including outsourcing to contract mining and outright sale models, that 1 Shaft be mined on a fully outsourced contractor model until FY2022</li> <li>&gt; Shaft 9 remains on track for closure and this has been communicated to affected employees</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Establishment of a 1 Shaft steering committee to guide selection and implementation process for the fully outsourced contract model</li> <li>&gt; Comprehensive risk assessment and mitigation conducted by multidisciplinary teams analysing safety, regulatory, technical, financial, human resources, stakeholder and interruption-related risks. Associated mitigation plans have been identified and will be implemented throughout the implementation</li> <li>&gt; Execution of 1 Shaft – viable commercial option as guided by the exco and board-approved business case</li> </ul>	Refer to 1.1 above
<p><b>IMPACT ON VALUE</b> Final conclusion of a commercial contract remains subject to the successful negotiation of a s197(6) agreement in terms of the LRA and a s79 application in terms of the MHSA.</p> <p>Failure to conclude a fully outsourced model agreement with the preferred supplier will result in closure of the shaft during H1 2020 depending on the outcome of the s189 process.</p>				

**KPI**

For KPI targets refer to individual operations’ performance from page 94 to 128.

**1 ABILITY AND CAPACITY TO RETURN IMPALA RUSTENBURG TO CASH NEUTRAL/POSITIVE POSITION** CONTINUED

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
1.4	<p><b>Context:</b> Shafts 16 and 20 have been identified as the future core shafts (34% of Impala production by FY2021 and 56% by FY2023). The five-year planned production at both shafts was impacted negatively by slower than planned production build-up due to the following:</p> <ul style="list-style-type: none"> <li>&gt; 16 Shaft: Limited mineable face length and creation of return airway</li> <li>&gt; 20 Shaft: Limited mineable face length and the structural complexity of the orebody</li> </ul> <p><b>Risk:</b> Failure to ramp up 16 and 20 Shaft in accordance with the business plan.</p>	<p>↑ The risk has increased due to:</p> <p><b>Shaft 20:</b> Only 83% of planned production because of strike rate achieved by stoping teams. Other issues include insufficient immediately mineable face-length (IMF), scaling of the 19 level orepass and equipment availability.</p> <p><b>Shaft 16:</b> Weighline tonnes for FY2019 were impacted by the rope failure. Other issues with the ramp-up project include delays with orepass rehabilitation and failure to achieve on-reef development due to the inability to execute parallel development of drives and travelling ways.</p>	<p><b>Shaft 20:</b></p> <ul style="list-style-type: none"> <li>&gt; Panel team build-up – introduction of experienced teams in order to ensure high efficiencies</li> <li>&gt; Weighline tonnes – addressing causes of deviations from budget</li> <li>&gt; Scaling of 19 level orepass: excavate the over-run and rehabilitation of orepass</li> <li>&gt; Equipment availability: service exchange and tracking system implemented</li> </ul> <p><b>Shaft 16:</b></p> <ul style="list-style-type: none"> <li>&gt; Appointment of reputable and experienced contractor to address delays in orepass rehabilitation</li> <li>&gt; Survey scan analysis conducted and appropriate mitigation steps implemented to rehabilitate orepass</li> <li>&gt; Dedicated mine managers and mine overseers supervision for development, mineable face length</li> </ul>	Refer to 1.1 above
<p><b>IMPACT ON VALUE</b> Failure or delay in the 16 and 20 Shafts ramp-up will negatively impact the Impala Rustenburg restructuring process and the improvement of operational excellence to sustain profitability as older shafts reach the end of their mine lives.</p>				
1.5	<p><b>Context:</b> Creating and maintaining mining flexibility is key to ensure effective, safe and productive mining. The growth in face length at the build-up shafts offsets the losses due to shaft closures. The aim remains to have more available panels than stoping teams at long-term shafts and development planning is designed to support this.</p> <p><b>Risk:</b> Failure to develop sufficient operational flexibility through increased face length, specifically at long-life shafts.</p>	<p>↑ Increased risk due to failure to achieve planned mineable face length targets impacted by pre-planning, efficiency and insufficient ledging teams.</p>	<ul style="list-style-type: none"> <li>&gt; Shaft reviews and operational reviews which focus on the analysis of the key factors that have caused the variance to performance</li> <li>&gt; Dedicated crews for construction and equipping at key shafts</li> <li>&gt; Blueprint development per half level – scoreboards per level to illustrate actuals versus blueprint</li> <li>&gt; Enhanced focus on pre-planning</li> <li>&gt; Enhancement of incentive schemes</li> </ul>	Refer to 1.1 above
<p><b>IMPACT ON VALUE</b> The growth in face length at the build-up shafts does not offset the reduction in face length due to shaft closures resulting in overall loss of profitability and production.</p>				
1.6	<p><b>Context:</b> To improve Impala’s operating model capabilities and achieve our stated target cost per Pt oz.</p> <p><b>Risk:</b> Failure to achieve planned overhead cost reduction. Failure to achieve the stated target cost per Pt oz may threaten sustainability of the business.</p>	<p>→ The risk remains flat.</p> <ul style="list-style-type: none"> <li>&gt; The impact of the proposed Impala operating model was tabled for implementation over the next 18 to 24-month period</li> <li>&gt; Future operating model headcounts will be 5 163 full-time employees (FTE) (central functions, engineering and support functions only) from 7 499 FTEs in the current baseline</li> <li>&gt; Proposed future cost baseline would be R2 436m from the current baseline of R3 389m (BP19)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Detailed Impala organisational redesign project plan including operating model has been established</li> <li>&gt; PMO office established to drive implementation process</li> <li>&gt; Executive-led overhead cost reduction steering committee to oversee project implementation</li> <li>&gt; Ongoing implementation and monitoring of processes to reduce the impact of exogenous factor increases such as the supply chain process, escalation monitoring, usage monitoring, economies of scale to reduce the use of electricity, fuel, timber, cement and chemicals</li> </ul>	Refer to 1.1 above
<p><b>IMPACT ON VALUE</b> Failure to achieve the planned overhead cost reduction would impact the viability of this operation and the success of the Impala Rustenburg restructuring.</p>				



## RISKS AND OPPORTUNITIES

### 2 WEAK BALANCE SHEET

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
2	<p><b>Context:</b> Costs associated with implementing the strategic review will strain the Company's balance sheet.</p> <p><b>Risk:</b> Weak balance sheet</p>	<p>↓ This risk has decreased due to:</p> <ul style="list-style-type: none"> <li>&gt; Rising rand PGM prices that resulted in dual benefits of improved free cash flow generation and substantial share-price appreciation</li> <li>&gt; Improved performance from RTB</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Finalisation of the Implats capital allocation framework</li> <li>&gt; Rigorous and conservative monthly cash forecasting</li> <li>&gt; Ongoing cost control initiatives</li> <li>&gt; Focus on improving capital funding structure</li> </ul>	

**IMPACT ON VALUE**

A weaker balance sheet resulting from a persistently low pricing environment and historical losses incurred at Impala Rustenburg impacts the Company's ability to raise additional financing within the current capital structure, and also limits the Group's ability to effectively implement its strategic objectives.

### 3 SUSTAINED DEPRESSED PGM BASKET PRICES AND ITS IMPACT ON CASH FLOW AND LIQUIDITY

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
3	<p><b>Context:</b> The Group's profitability is positively impacted by higher PGM basket prices in rand terms as the Group's PGMs, sold in US dollars, when converted to a weaker rand, against operating costs incurred in rand.</p> <p><b>Risk:</b> Sustained depressed PGM basket prices and its impact on cash flow and liquidity.</p>	<p>↓ This risk has decreased due to:</p> <ul style="list-style-type: none"> <li>&gt; A 34% higher than planned rand basket price per platinum ounce sold was as a result of higher than planned palladium/rhodium dollar prices and a weaker rand/dollar exchange rate. Implats has benefited from higher rand basket prices due to strong demand for both palladium and rhodium from the auto sector while platinum demand remains muted</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ongoing market research and intelligence collection for PGM demand and supply analysis</li> <li>&gt; Prioritisation of SIB and debt servicing</li> <li>&gt; Investment in demand growth through the WPIC</li> <li>&gt; Prioritise restructuring the mining asset portfolio</li> </ul>	

**IMPACT ON VALUE**

Higher PGM basket prices in rand terms as the Group's PGMs, which are sold in US dollars, are converted to a weaker rand and operating costs incurred in rand positively affecting gross profit for RSA operations.

### 4 DETERIORATION IN SAFETY PERFORMANCE

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
4	<p><b>Context:</b> To achieve the vision of zero injuries, the Company focuses on prevention of fatal injuries and a safe operational culture.</p> <p><b>Risk:</b> Deterioration in safety performance due to:</p> <ul style="list-style-type: none"> <li>&gt; Failure of critical infrastructure</li> <li>&gt; Unmet safety requirements</li> </ul>	<p>↑ This risk has increased due to a fatal fall-of-ground incident that occurred on 17 June 2019.</p> <ul style="list-style-type: none"> <li>&gt; Five fatal incidents have occurred over the FY2019, compared to seven in the previous year</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Impala CEO led weekly review of workplace-related injuries/accidents, which includes cause analysis and mitigation</li> <li>&gt; Heads of Safety Summit convened by Group CEO to reinforce the importance and commitment to a safe working environment</li> <li>&gt; Monthly "talk topics" enforced through awareness, hazard identification and coaching as part of weekly VFLs</li> <li>&gt; High potential incidents reporting and investigation through the incident causal method to prevent re-occurrence</li> <li>&gt; Implementation of fatal risk protocols</li> </ul>	

**IMPACT ON VALUE**

Implats' vision is zero harm for the Group. Its employees are key stakeholders and any loss of life is unacceptable.

**KPI**

For KPI targets refer to individual operations' performance from page 94 to 128.

**5 ZIMPLATS: AVAILABILITY OF FOREIGN CURRENCY**

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
5	<p><b>Context:</b> Foreign currency risk due to re-introduction of the Zimbabwean dollar currency and the availability of US dollars to meet business requirements.</p> <p><b>Risk:</b> Zimplats: Availability of foreign currency due to introduction of Zimbabwean dollar.</p>	<p>➔ The risk remains flat:</p> <ul style="list-style-type: none"> <li>&gt; Zimbabwe has completed currency reforms headlined by the end of the multi-currency regime, de-dollarisation and the return of the Zimbabwean dollar (ZWL\$) represented by bond notes and RTGS dollars for use in all local transactions. Additionally, monitoring of the ZWL\$/US\$ exchange will be done on an ongoing basis, as well as exploring early settlement of all local supplier payments to minimise the risk of exchange rate loss by reducing ZWL cash balances</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Monitoring ZWL/US\$ exchange rate movements</li> <li>&gt; Managing ZWL balances by early settlement of local suppliers' obligations reducing RTGS cash balances</li> </ul>	
<p><b>IMPACT ON VALUE</b> Currency risk translates into high inflation and possible cost escalation outside mitigation strategies for the Zimbabwean operations.</p>				

**6 MAINTAINING OUR SOCIAL LICENCE TO OPERATE AND STAKEHOLDER RELATIONS**

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
6	<p><b>Context:</b> Labour, regulators and the communities we operate in are able to influence the quality of our execution of the strategic review objectives. Failure to provide value-enhancing sustainability initiatives may threaten our social licence to operate.</p> <p><b>Risk:</b> Maintaining our social licence to operate and stakeholder relations.</p>	<p>➔ The risk remains flat:</p> <ul style="list-style-type: none"> <li>&gt; The MCLEF Impala Community structure remains dissolved since February 2019 (refer page 95 – stakeholder material matters – Impala operations)</li> </ul> <p>MCLEF leaders initiated independent engagements with DMR on 19 June 2019 and it resulted in the DMR issuing Impala a letter of complaint regarding MCLEF concerns.</p>	<ul style="list-style-type: none"> <li>&gt; DMR engagement on SLP development, monitoring and execution shared through formal structures</li> <li>&gt; Formal stakeholder engagement process and structures and briefing conducted through various platforms regarding the implementation of the Rustenburg review</li> <li>&gt; Sustainability compliance reporting</li> <li>&gt; Review of hotlines' complaints monitoring</li> </ul>	
<p><b>IMPACT ON VALUE</b> Implats' social licence to operate impacts our ability to mine in the communities where we operate. Failure to maintain our licence may threaten our operational effectiveness.</p>				

**7 FAILURE TO COMPLY WITH LEGAL AND REGULATORY REQUIREMENTS THROUGHOUT THE VALUE STREAM**

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
7	<p><b>Context:</b> The costs of non-compliance with legislation and regulation in South Africa (such as the MHSA and the new Mining Charter, which both impact our ability to produce) have increased.</p> <p><b>Risk:</b> Failure to comply with legal and regulatory requirements throughout the value stream.</p>	<p>⬆ This risk has increased due to:</p> <ul style="list-style-type: none"> <li>&gt; Issuance of s54 and s55 notices at Impala and the Marula operations</li> <li>&gt; In FY2019 the impact of s54 Notices versus FY2018</li> <li>&gt; Full compliance with SLP II plans for Rustenburg, Marula and Aflplats has not been achieved</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Detailed analysis performed on all DMR s54 and s55 notice-related findings and a management presentation to the DMR on remedial action/s and close-out timelines for s54 notices</li> <li>&gt; Monitoring of government gazettes and commentary of key legislative changes</li> <li>&gt; Escalation of delays in feedback from DMR regarding the Impala s102 applications to senior management representatives</li> <li>&gt; Marula s102 amended application: SLP II (replacing projects and extension of timelines)</li> <li>&gt; Management response and an s93 withdrawal request submitted to regulator</li> </ul>	
<p><b>IMPACT ON VALUE</b> Legislative compliance has a direct impact on our operational effectiveness and production, as can be seen from the impacts of s54 and s55 notices on the business. Legislative compliance is also strongly linked to our social licence to operate.</p>				

## RISKS AND OPPORTUNITIES

### 8 REDUCED PRODUCTION FLEXIBILITY AND SMELTING OPERATIONS AT IMPALA RUSTENBURG AND ZIMPLATS

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
8	<p><b>Context:</b> The smelting operations at Zimplats and Impala Rustenburg are key components of the processing operations. Any breakdown or disruption in the smelter operation will negatively affect throughput of PGM ounces.</p> <p><b>Risk:</b> Reduced production flexibility at smelting operations:</p> <ul style="list-style-type: none"> <li>&gt; Ability to protect the integrity of furnaces</li> <li>&gt; Rebuild Zimplats smelter on schedule</li> <li>&gt; Refinery's ability to refine backlog matte</li> </ul>	<p>➔ Risk remains flat. A detailed analysis of Impala mineral processing included a review of:</p> <ul style="list-style-type: none"> <li>&gt; The continuous process monitoring of the smelting operations</li> <li>&gt; Manual sounding process monitoring of matte and slag in the furnace; employment of infrared thermal imaging for wall condition monitoring, proactive identification of hotspots</li> <li>&gt; Furnace area and platform monitoring for early detection</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 24 hour monitoring of furnace performance</li> <li>&gt; Infrared thermal scanning and furnace dipping</li> <li>&gt; Use of high-speed fans create additional cooling/ventilation for identified warmer wall areas</li> <li>&gt; Existing furnace reline improvements</li> <li>&gt; Finalisation of Zimplats furnace rebuild within planned timeframes</li> <li>&gt; Camera monitoring of tap floors and dipping points</li> </ul>	
<p><b>IMPACT ON VALUE</b> Production flexibility and smelting operations at Impala and Zimplats will impact refined production, stock levels, cash flow and overall liquidity for the Group.</p>				

### 9 CHALLENGED CAPACITY AND EFFICIENCIES OF MANAGEMENT LAYERS AT SA OPERATIONS

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
9	<p><b>Context:</b> To achieve its strategic objectives, the Group requires skilled and equipped employees and managers with continuous knowledge, skills and educational development.</p> <p><b>Risk:</b> Challenged capacity and efficiencies of management layers at SA operations.</p>	<p>⬇ This risk has reduced. The human resource development focus was to align the Implats strategy to deliver value-added service. Key initiatives implemented to date to enhance organisational capacity included the awarding of bursaries, engineering learnerships and learner miners' programmes.</p>	<ul style="list-style-type: none"> <li>&gt; Formal coaching and people management programme to improve supervisory and management development</li> <li>&gt; Implementation of Care and Growth Leadership Model to embed a culture of performance and care, and targeted job training</li> <li>&gt; Talent pipeline management and recruitment process of key roles and capacity-building for supervisory leadership</li> </ul>	
<p><b>IMPACT ON VALUE</b> The Group requires skilled and efficient management to achieve its strategic objectives and create sustainable value for stakeholders over the short, medium and long term.</p>				

KPI

For KPI targets refer to individual operations' performance from page 94 to 128.

**10 SECURITY OF WATER SUPPLY IN SOUTH AFRICA (BOJANALA AND RUSTENBURG)**

RISK	RISK DESCRIPTION	FACTORS CONTRIBUTING TO RISK	CONTROLS, MITIGATING ACTIONS AND OUTLOOK	STRATEGIC OBJECTIVE
10	<p><b>Context:</b> Water is a critical input resource for mining, processing and refining operations. Adverse weather changes and a rise in the demand for water from other users has reduced the availability and supply of water.</p> <p><b>Risk:</b> The security of water supply in South Africa (Bojanala and Rustenburg).</p>	<p>➔ This risk remains flat. An increased demand from new housing schemes and low rainfall have strained key water sources (Vaalkop dam and Barnardsvlei). This situation is exacerbated by the lack of new water capacity in the North West region</p> <p>&gt; Positive full year 2019 water conservation performance experienced at Rustenburg operations: (refer to operational performance – natural capital)</p>	<ul style="list-style-type: none"> <li>&gt; Monitoring of water usage, as Impala only uses 60% of its water allocation as per its water-use licence</li> <li>&gt; Daily dashboard reporting</li> <li>&gt; Water recycling processes to reduce extraction and use of alternative water sources from Water Services Trust and Rockwall dam</li> <li>&gt; Implementation of water conservation and demand management programme which enables operational demand simulation</li> <li>&gt; Ongoing implementation of water recycling and detailed monitoring of use</li> </ul>	
<p><b>IMPACT ON VALUE</b>                      Impala is reliant on water to ensure uninterrupted production. A lack of water would negatively impact both the communities in which we operate and limit the production capacity at our mining operations or increase operating costs.</p>				

**Emerging global risk-climate change**

There is an increasing call for awareness and active response to the risks and impacts of global warming and climate change on the planet.

Implats is committed to playing its part in the global effort to reduce greenhouse gas (GHG) emissions. This dovetails with the Group’s efforts to limit its carbon tax liability in South Africa.

The main climate-related risk faced by the Group is the potential impact of climate change on the security of water supply for our organisation and host communities. The security of energy supply and rising costs of energy also pose material risks to our operations.

The risk of climate change may in future affect our ability to access financial capital as providers of financial capital, through responsible investment, gradually shift their funding away from energy producers who use fossil fuels, in favour renewable energy providers.

**Fuel cell technology**

In addressing the global decarbonisation challenge, there are increasing opportunities to use platinum-catalysed fuel cells that provide zero-emitting, carbon-free energy, in providing electricity and mobile applications. A fuel cell is a device that uses a source of fuel, such as hydrogen, and an oxidant to create electricity from an electrochemical process. Implats has invested around R25 million in targeted fuel cell development in South Africa in collaboration with government and academic institutions.

**Climate change and risk reporting**

To support society’s increasing expectations for greater transparency around climate change, and in line with the Group’s strategic objective for ESG excellence, we will review our governance and reporting approach against the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). The majority of TCFD recommendations are addressed in the Group’s CDP submissions (refer to the Implats website at [www.implats.co.za](http://www.implats.co.za)), however, further work is required to understand the potential impact of global climate change.