

King IV™ Report by Principle - Preview

Consolidated Infrastructure Group Ltd

Run Date: 12/14/2018 3:25:48 PM

Registration Number: 2007/004935/06

Prepared by: Ivor Klitzner

From 1 October 2017, all JSE listed companies are required to issue annual reports and circulars that comply with the King IV Report on Corporate Governance for South Africa 2016 (King IV). The Consolidated Infrastructure Group, (CIG) has accordingly benchmarked its governance practices against the principles of King IV. This King IV application register explains how CIG complies with King IV.

CIG subscribes to the Governance Instrument powered by "TGIP" and the database is regularly updated as and when necessary.

<p>Principle 1</p>	<p>The governing body should lead ethically and effectively.</p> <p>The holding company is domiciled in SA and with regard to local laws and codes, these are fully complied with. With regards to external countries where the group operates, reliance is placed on specialized directors, who sufficiently familiarize themselves with the general content of applicable laws, rules, codes and standards in order to be able to discharge their legal duties.</p> <p>All deliberations, decisions and actions of board are based on fairness, accountability, responsibility, transparency integrity and competence.</p>
<p>Principle 2</p>	<p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p> <p>The board ensures compliance with the Code of Conduct which is integrated into the strategy and operations of the CIG group. The group's ethics are contained in its vision; strategies and operations; its decisions and conduct; and the way it treats its internal and external stakeholders. This Code of Conduct is supported by a code of ethics approved by the board. These codes provide guidance on ethical conduct in all areas and across all activities of the business.</p>
<p>Principle 3</p>	<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>

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<p>Principle 3</p>	<p>The board takes responsibility for and oversees how the CIG Group minimises the potential negative social impacts of its operations including its "mining operations", while promoting opportunities for local communities in line with our approved social labour plans (SLPs). Our SLPs include human resources development programmes, mine community development plans, a housing and living conditions plan, employment equity plan, and other processes to save jobs and manage downscaling and/or closure. SLP progress reports are submitted annually to the Department of Mineral Resources (DMR). A social and ethics committee has been constituted and continues to function with regular meetings chaired by Mr Alex Darko, an independent non-executive board member.</p>
<p>Principle 4</p>	<p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p> <p>The board of CIG challenges and signs off on management's proposed strategies in terms of the group's purpose, business value drivers and the legitimate interests of our stakeholders. Management has processes in place to define and align the group's short-, medium- and long-term macroeconomic, financial, operational and strategic objectives with its risk appetite.</p> <p>The board considers sustainability to be a business opportunity and recognises that all CIG's capital resources are interconnected and fully aligned with operational requirements. The board and management endeavour to balance the use of capital resources to support future sustainability.</p> <p>Policies and operational plans approved by the board include financial, ethical, compliance, sustainability, performance and risk measures.</p>
<p>Principle 5</p>	<p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.</p>

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<p>Principle 5</p>	<p>The CIG Group's annual integrated report shares the collective thinking applied to material issues impacting on the group's ability to create long-term value. The report aims to provide a balanced and succinct view of CIG's' financial and non-financial performance in accordance with the International Integrated Reporting Council's (IIRC) framework. It provides information on CIG's' strategies for growth, efficiency, quality, sustainability, corporate governance and accountability.</p> <p>Our preparation of this report was guided by the principle of materiality. A matter is considered material if it can substantively affect the group's ability to create and sustain value over the short, medium or long term. After determining material matters, we assess these against the need to provide CIG's actual and potential providers of capital with a complete and accurate up to date view of the business.</p>
<p>Principle 6</p>	<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p> <p>The CIG board's role, responsibilities, membership requirements and procedural conduct are documented in a board charter that is reviewed from time to time.</p> <p>The board has approved a protocol that allows all directors to access any company information they might require.</p>
<p>Principle 7</p>	<p>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.</p>

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<p>Principle 7</p>	<p>When determining the size of the board and the number of directors needed, the board considers factors such as the appropriate mix of business, commercial and industry experience and skills. The board considers and decides on the optimum combination of executive, non-executive and independent non-executive members.</p> <p>Prospective members of the board are independently and thoroughly assessed in line with JSE Listings Requirements and King IV.</p> <p>The CIG board considers this present mix of executive and independent non-executive directors as optimal and compliant with the JSE Listings Requirements.</p> <p>Appointed in 2007 Anthony Dixon is the longest standing board member for which an exercise / review will be necessary in 2018 in respect of his independence.</p>
<p>Principle 8</p>	<p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p> <p>The board has established a stable and balanced distribution of skills, experience and role allocation through all its committees in terms of the JSE Listings Requirements: Paragraph 3.84(c). A set policy stipulates a clear balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making.</p> <p>All non-executive board members have unrestricted access to the Chairman of the board and they are well versed with the responsibility and functional aspects of the Chairman's role. The members of the nominations committee are considered to be independent.</p> <p>A social and ethics committee has been constituted and continued to function throughout the year under review in terms of South Africa's Companies Act requirements.</p>
<p>Principle 9</p>	<p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>

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<p>Principle 9</p>	<p>The board of CIG determines its own role, functions, duties and performance criteria as well as that for directors and board committees. An annual effectiveness self-evaluation is usually undertaken in respect of the board and its sub-committees. During this year, this assessment was not conducted as changes were recently underway and the assessment was considered premature. For the year under review, the board did however, satisfy itself that it and its sub-committees operated effectively.</p> <p>In addition to the assessments, the Chairman also ensures that the board operates effectively by regularly engaging with the non-executive directors on their performance and other matters that may need to be addressed.</p>
<p>Principle 10</p>	<p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p> <p>The Chief Executive Officer (CEO), Mr Raoul Gamsu is responsible for executing strategy and the day-to-day business of the group. The CEO is not a member of the remuneration committee.</p> <p>CIG has established and maintained, then utilised an in-house developed tool (Excel based) to assist in maintaining proper delegation of authority. The policy and framework indicate matters reserved for the board and those delegated to management.</p> <p>The Board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>CIG complies with the provisions of the South African Companies Act, 2008 in relation to the appointment and removal of the Company Secretary. The role and function of the Company Secretary is formalised.</p> <p>The board of CIG oversee all key management functions and ensures that the decentralized structure of the CIG Group allows for management by executives with appropriate competence, training and experience.</p>

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<p>Principle 11</p>	<p>The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p> <p>The board is ultimately responsible for setting the risk appetite of the group, identifying strategic risks and opportunities and managing these. This responsibility for risk governance is expressed in the board charter and risk policy and associated annual plan.</p> <p>The board ensures that appropriate risk management programmes are in place and monitors their implementation against key risk indicators.</p> <p>The board has approved and oversees a policy that articulates and gives effect to its set direction on risk. Each group operation maintains a risk register listing risks identified in risk workshops and strategic workshops are conducted regularly to evaluate risks.</p> <p>Each year the board evaluates the company's risks against current realities and resets risk tolerances as necessary.</p> <p>The board has delegated the management of risk to the group's executive management team, which executes this responsibility through processes within an established risk management policy and governance framework. Regular consultation with a specialist risk management consultant continue and the risk management practices contribute to the combined assurance model.</p>
<p>Principle 12</p>	<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p> <p>The board is responsible for IT and Information governance, which is governed by an IT charter.</p> <p>An informal IT steering committee directs, controls and measures the IT activities and processes of the group. This committee ensures that any delegation of IT processes is to a functionary with the appropriate seniority, skill, expertise and knowledge to exercise such authority effectively.</p> <p>The IT steering committee is mandated to obtain independent assurance of IT governance. Internal IT controls are assessed by the audit committee on behalf of the board.</p> <p>CIG recognises "Cyber Risk" as a major component of technology governance and uses specialists to assist with vulnerability assessments in order to mitigate this risk in line with the group's appetite for risk.</p> <p>External and Internal Audit rely on specialist auditors for IT risk based audits.</p>

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<p>Principle 13</p>	<p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p>The board ensures, as far as is possible, compliance with all relevant South African legislation, including the Mining regulations and the implementation of SLPs. It also ensures compliance where possible and appropriate with the requirements of the various countries where the group operates. The group also recognises and utilises the IIRC's framework and the Global Reporting Initiative (GRI) guidelines for establishing and reporting on non-financial capitals and sustainability.</p>
<p>Principle 14</p>	<p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p> <p>The group's remuneration philosophy seeks to reward executive directors and other senior management for individual and group performance. It recognises that these individuals can significantly impact the group's performance over the short-, medium- and long-term. The group's remuneration policy provides a framework for remuneration to attract, retain and motivate employees to achieve the strategic objectives of the organisation, within its risk appetite and risk management framework. The remuneration committee (Remco) assists the board in approaching and administering remuneration. Remco comprises only independent non-executive directors, which monitors and strengthens the credibility of the group's executive remuneration system.</p>
<p>Principle 15</p>	<p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>

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<p>Principle 15</p>	<p>The IA function is retained in house. No co-sourcing or out-sourcing arrangements, other than the IT Audits, are made.</p> <p>The Risk based approach to Internal Audit continues to be enhanced with regular input and guidance from the Chief Internal Audit Executive and the Outsourced Risk Manager. These functional improvements take into account the key risks and controls identified during risk workshops.</p> <p>The Internal Audit plan is developed using the risk registers as a basis and is approved by the Audit and Risk Committee who also facilitate regular monitoring of progress against the plan.</p>
<p>Principle 16</p>	<p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> <p>Stakeholders are assessed as part of CIG's risk management process.</p> <p>Stakeholders have been identified as one of the group's key strategic pillars, therefore stakeholder risks and concerns are carefully considered when reviewing and refining strategy.</p> <p>The CEO and the Financial Director engage with investors and analysts at corporate level, while the Group Executives engage with unions and employees. Operational management engage with the DMR on health and safety issues.</p> <p>At an operational level, the general management engage with local stakeholders. Concerns raised operationally are governed by the management committee and at a board level, the SHEQC committee oversees stakeholder concerns.</p> <p>The board also engages with shareholders at the annual general meeting and on an ad hoc basis when required.</p>
<p>Principle 17</p>	<p>The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>

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Principle 17

The CEO and the Financial Director engage with investors, funders and analysts at a corporate level.