

Application of the King IV Report on Corporate Governance for South Africa, 2016™

The register below details the principles set out in the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™") and includes comments regarding the application of each principle by Salungano Group Limited ("Salungano"), for the financial year ended 31 March 2022 ("FY22").

Principle 1	Leadership
<p>The board should lead ethically and effectively</p>	<p>The board of directors of Salungano ("the board") is committed to ethical and effective leadership. Directors diligently adhere to their duties and responsibilities, acting with due care and diligence and remaining informed of Salungano's activities and the mining industry in general to enable informed decision-making.</p> <p>In FY22, the board has focused on a new chapter for the former Wescoal Holdings Limited – the unlocking of the renamed Salungano Group, embarking on a multi-sector diversified investment journey, highlighting its renewed ethical focus on environmental, social and governance matters to ensure sustainable diversification.</p> <p>Adhering to the highest standards of corporate governance, and based on integrity, ethics, competence, responsibility, fairness and transparency, the board remains highly capable to set the strategic direction of Salungano and to oversee the implementation of approved strategies by the executive, ensuring accountability for the group's performance.</p> <p>Salungano's executive team is an accomplished and skilled unit that ensures the competent execution of strategy across the organisation.</p> <p>The board is alert to the impact of Salungano's activities on its stakeholders, the environment, society and its communities, incorporates these factors when considering key risks and opportunities, and seeks to ensure sustained value creation for internal and external stakeholders continuously, with renewed focus in a COVID-19-impacted world.</p> <p>The directors effectively discharge their duties by ensuring that they are sufficiently familiar with laws, rules, codes and standards and by adhering to Salungano's values and moral principles of commitment and courage. The directors have adequate access to suitably experienced external advisors and furthermore adhere to Salungano's code of ethics and conduct, which is monitored by the social and ethics committee.</p> <p>The social and ethics committee monitors compliance with Salungano's code of ethics and conduct.</p> <p>Conflicts of interest are appropriately addressed through annual declarations and on an ad hoc basis when applicable. Appropriate policies are adhered to with regard to price-sensitive information and dealing in securities by directors and senior employees.</p> <p>The directors undergo formal evaluation processes, either externally facilitated or through self-evaluation, at least every two years. The results of these evaluations are reviewed and appropriate actions in terms thereof are executed.</p>
Principle 2	Organisational ethics
<p>The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The board's effective leadership is based on an ethical foundation. An ethical corporate culture is promoted and sustained through an organisation-wide ethics framework, endorsing the values set out in the code of ethics and conduct. Additional internal policies on anti-bribery and corruption as well as an accessible and well-promoted whistle-blowing hotline support sustained ethical conduct.</p> <p>The social and ethics committee monitors, and reports on, the governance of ethics, while the board has mandated the executive to implement and execute the ethics framework, underpinned by Salungano's values.</p> <p>The board acknowledges its ultimate stewardship and responsibility in respect of group values and ethics and sets the tone for an ethical culture where Salungano's values and principles are constantly cultivated among employees and stakeholders.</p>

Principle 3	Corporate citizenship
<p>The board should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The board ensures responsible corporate citizenship through values and conduct congruent with the King IV™ standards.</p> <p>Through the social and ethics committee, the board assesses the consequences of the group’s activities by monitoring performance against measures and targets in the following areas:</p> <ul style="list-style-type: none"> • <i>workplace</i> (the promotion of equality, employment equity and transformation, fairness of remuneration principles and the maintenance of health and safety protocols); • <i>society</i> (the development of communities in Salungano’s operational areas in terms of its social and labour plans, COVID-19 incentives and other corporate social investment programmes); • <i>environment</i> (the development of a comprehensive economic, environmental, social and governance strategy, including Salungano’s mine rehabilitation responsibilities in terms of various pieces of legislation and the Mining Charter); and • the well-being of the communities in which Salungano operates remains an integral part of the group’s objective of sustainable value.
Principle 4	Strategy and performance
<p>The board 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 evaluates group strategy against Salungano’s core purpose, oversees the implementation thereof and measures the performance of executives against key strategic performance deliverables.</p> <p>The board ensures that:</p> <ul style="list-style-type: none"> • strategy translates into measurable key performance and risk areas; • strategic objectives are aligned with risk and performance goals; • the formal risk management process and organisational risk framework of the group encompass all strategic and operational risks to support sustainability; • business models, and solvency and liquidity, are reviewed regularly; and • performance is considered against sustainable outcomes and long-term planning, considering not only profit but also stakeholders, society and the environment. <p>Risks, opportunities and performance in terms of strategy are dealt with at each board meeting by way of reports received from board committees. An annual in-depth strategy meeting ensures that strategy evolves in accordance with circumstances, resources and relationships.</p>
Principle 5	Reporting
<p>The board 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>	<p>Reporting and information sharing to Salungano’s shareholders and other stakeholders takes place through Salungano’s integrated annual report, sustainability report, annual financial statements, annual and interim results reports, SENS announcements, its corporate website, presentations to investors and an annual general meeting (“AGM”). Regular stakeholder interaction ensures that stakeholders remain informed on current operations and proposed initiatives.</p> <p>The board ensures that all reports issued by Salungano contain accurate, relevant and transparent information and allow for informed assessments of Salungano’s performance. The board acknowledges its accountability to shareholders for the group’s performance and considers the interests and expectations of stakeholders and intended audiences when providing information pertaining to Salungano through reports and other channels of communication.</p> <p>The board oversees the integrated annual report, sustainability report and consolidated financial statements in the final instance, once mandated committees, such as the audit, risk and compliance, remuneration and social and ethics committees, have reviewed the statements and narratives contained in the report.</p> <p>The board approves the executives’ determination of the group’s reporting framework and standards in advance, considering legal requirements and the intended audience and purpose of each report.</p> <p>A full synopsis of short-, medium-, and long-term prospects, sustainability and strategy is provided in the integrated annual report and sustainability report, ensuring the ability to make informed assessments of Salungano’s performance.</p>

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Principle 6	Role and responsibilities of the board
<p>The board should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>As confirmed in its charter, the board is the focal point and custodian of corporate governance at Salungano.</p> <p>The board is committed to applying the principles and recommendations of King IV™, and to complying with the JSE Listings Requirements, the Companies Act of South Africa, 71 of 2008 (“Companies Act”), and standards of best practice, allowing the board to act in the best interests of the company. The board has established a suitable and effective compliance framework to enable adherence to applicable legislation, codes, standards and sound corporate governance practices.</p> <p>The board’s annually reviewed charter ensures that its roles, responsibilities and accountability in respect of corporate governance are documented and adhered to. The board is supported by various board committees which have delegated responsibilities to assist in fulfilling specific corporate governance functions. The board committees report to Salungano’s board at every board meeting.</p> <p>As the custodian of corporate governance, the board interacts with the executive, shareholders, and other stakeholders in terms of sound corporate governance principles. The board approves policies and planning that give effect to its sound corporate governance direction, monitors implementation by the executive, and ensures accountability for organisational adherence through reporting and disclosure. Governance principles are further entrenched through governance structures, processes and procedures.</p> <p>The board is satisfied that it has fulfilled its responsibilities in accordance with its charter during the reporting period. The number of meetings held and attendance thereof are contained in the integrated annual report.</p>
Principle 7	Composition of the board
<p>The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>The Salungano board comprises 10 directors, three of whom are executive directors. Of the balance of seven non-executive directors, four are independent. A lead independent director has been appointed. An additional independent non-executive director will be appointed in the latter part of 2022.</p> <p>Directors are appointed through a formal process. The nomination committee, assisted by a professional recruitment firm, identify suitable candidates for final approval by the board.</p> <p>In determining the composition of the board, the nomination committee specifically considers the diversity requirements contained in the board’s diversity policy.</p> <p>The composition of the board encompasses the optimal mix of knowledge, skills (including business, financial and industry experience), diversity and independence to objectively, and effectively, discharge the board’s role and responsibilities. The size of the board also corresponds with the size and complexity of the company.</p> <p>The three executive directors on the board ensure direct interaction with the executive and management and efficient translation of board requirements into operational execution.</p> <p>For rotation purposes, at least a third of the non-executive directors resign annually at the AGM in terms of Salungano’s Memorandum of Incorporation . The nomination committee recommends re-election of the directors based on performance, succession planning and other relevant factors.</p> <p>Non-executive directors who have served on the board for more than nine years are subjected to rigorous review in terms of their independence and performance.</p> <p>A formal induction programme exists for all new directors.</p> <p>The roles and responsibilities of the chairman and the group chief executive officer (“CEO”) are separated.</p>

Principle 8	Committees of the board
<p>The board 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 delegated particular roles and responsibilities to board committees to assist the board in discharging its responsibilities. The committees function under board-approved terms of reference (reviewed annually) setting out the nature and extent of the responsibilities delegated.</p> <p>The committees of the board comprise the audit, risk and compliance committee, the nomination committee, the remuneration committee, the social and ethics committee and the project and investment committee.</p> <p>The committees are appropriately constituted and the chairs of the committees are all independent non-executive directors. The committee members are all skilled in the required fields of expertise required per committee. Committee members are appointed by the board, with the exception of the audit, risk and compliance committee, whose members are nominated by the board and approved by shareholders.</p> <p>The board is satisfied that the current composition of the board committees contributes to effective collaboration as well as a balanced distribution of power, ensuring that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.</p> <p>Cross-committee meetings are arranged when an overlap of responsibilities occurs.</p> <p>The delegation of responsibilities by the board to board committees does not constitute a discharge of the board's accountability.</p> <p>Additional information on the committees is disclosed in the integrated annual report.</p>
Principle 9	Evaluations of performance
<p>The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	<p>The board, board committees, committee chairs, the company secretary and individual board members are subject to a formal evaluation process, either externally facilitated or through self-evaluation at least every two years.</p> <p>The nomination committee leads the board evaluation process. Each director is required to comment on the board structure and responsibilities, processes, practices and culture of the board, overall performance, and the structure, resources and performance in respect of statutory duties of the committees.</p> <p>The lead independent director facilitates the evaluation process of the chair of the board. The results of the evaluation are discussed with the board as a whole and suggested changes and comments are actioned.</p> <p>The chair's ability to add value, and his performance against what is expected of his role and function, is assessed during this process.</p>

Principle 10	Appointment and delegation to management
<p>The board should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities</p>	<p>The board relies on the group CEO to lead the operational execution of the board-approved strategy. The group CEO leads the executive committee, comprising business unit and function heads, who are further responsible for executing the strategy, monitoring its implementation and discharging all duties and functions delegated by the board.</p> <p>The board has approved and implemented delegation of authority matrixes in this regard, detailing the powers and matters to be delegated to the executive via the group CEO. The board therefore ensures that key management functions are led by competent and appropriately authorised individuals.</p> <p>The group CEO and chief financial officer (“CFO”), as executive directors, function as links between the executive and the board.</p> <p>The board has access to professional and independent guidance on corporate governance and its legal duties, as well as support to coordinate the functioning of the board and its committees.</p> <p>The board ensures effective exercise of authority and responsibilities by, and through, among others:</p> <ul style="list-style-type: none"> • Appointing the CEO; • Defining materiality in line with an approved delegation of authority framework; • Input on senior executive appointments via the nomination committee; • Evaluating the performance of the CEO against set measures and criteria; and • Adhering to a formal succession plan for the CEO and other senior executives. <p>Directors have access to the advice of the company secretary, who provides professional corporate governance services and guidance to the board and individual members on the proper discharging of their responsibilities. The company secretary’s appointment and/or removal is determined by the board and she is empowered by the board to effectively perform her duties in terms of a formalised role and function. The board considers the company secretary as suitably skilled, qualified and experienced enough to fulfil the role competently, and considers the company secretary independent, maintaining an arm’s-length relationship with the directors.</p> <p>The board is provided with quarterly management reports on strategic progress and operational matters.</p> <p>The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority.</p>
Principle 11	Risk governance
<p>The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>The board’s governance of risk is detailed in its charter and risk framework and policies. While the board has ongoing oversight of risk management, the risk governance function has been delegated to the audit, risk and compliance committee, based on specified terms of reference, with the responsibility for implementing and executing effective risk management, as delegated to the executive.</p> <p>The audit, risk and compliance committee makes recommendations on risk matters to the board for its consideration and final approval. The committee oversees the implementation of Salungano’s risk management policy and assesses risks which support sustainable value creation for the company.</p> <p>Salungano treats risk as integral to the way it makes decisions and executes its duties. The group’s risk governance encompasses both opportunities and associated risks in developing strategy and the potential positive and negative effects of these risks on achieving its organisational objectives.</p> <p>The board sets the levels of risk tolerance, which relate to the risk matrix reported on to the audit, risk and compliance committee. In the matrix, risks are prioritised and ranked to focus responses, mitigations and interventions. The board assesses the company’s key risks regularly.</p> <p>The board’s risk assessment considers risks affecting Salungano’s income streams, critical dependencies, sustainability and the legitimate interests and expectations of stakeholders. Significant risks that may threaten the long-term sustainability of the company are disclosed in the integrated annual report.</p> <p>Detail on the role and mandate of the audit, risk and compliance committee is available in its terms of reference, available on the website, and further detail on risk management is contained in the integrated annual report.</p>

Principle 12	Technology and information governance
<p>The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<p>The board acknowledges its responsibility for the governance and ongoing oversight of technology and information and ensures that processes are in place to ensure timely, relevant, accurate and accessible reporting, communication and data storage.</p> <p>The responsibility to implement and execute effective technology and information management has been delegated to the executive, with oversight from the audit, risk and compliance committee.</p> <p>The board considers information and technology (“IT”) governance an integral part of Salungano’s approach to governance. Acknowledging that IT-related opportunities and risks may affect value creation, the board prioritises the importance of safeguarding company information and intellectual capital and ensures that technology architecture is maintained to protect that information.</p> <p>Salungano’s IT governance framework effectively manages resources in supporting its strategic objectives of delivering value and mitigating IT risk. The board reviews and identifies possible opportunities for improved efficiencies and value creation that technology can add to the business. The board also remains conscious of risks that may arise in protecting classified information and intellectual capital.</p> <p>The designated group IT manager is responsible for IT and has the appropriate levels of knowledge and experience. He reports to the CFO on IT-related matters and interacts regularly with the audit, risk and compliance committee and executive management on IT governance matters.</p>
Principle 13	Compliance governance
<p>The board 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 audit, risk and compliance committee, as delegated by the board, monitors the process implemented by the executive to ensure legal compliance.</p> <p>The regulations of the Companies Act require the social and ethics committee to monitor the implementation of a series of good corporate governance obligations, including the Organisation for Economic Cooperation and Development recommendations on reducing corruption as well as the United Nations Global Compact Principles.</p> <p>Salungano’s compliance governance is approached and addressed through the following:</p> <ul style="list-style-type: none"> • All major group policies are reviewed and approved by the board (on recommendation of a board committee); • Salungano has appointed a compliance and risk officer to oversee all compliance activities, to provide training on new requirements and to provide regular updates on existing legislation and adopted, non-binding rules; • The incorporation of compliance with rules, laws, codes and standards in the group’s code of ethics and conduct; and • Delegation of the responsibility to implement, execute and monitor compliance to relevant legislation, regulations and policies to the executive. <p>The board discloses in the integrated annual report details on how it discharged its responsibility towards governing and managing compliance, areas of focus, and inspections by authorities, as well as any material or repeated instances of non-compliance, if applicable.</p> <p>The board receives quarterly reports on compliance matters.</p>

Principle 14	Remuneration governance
<p>The board 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>In achieving its responsibilities regarding fair, responsible and transparent remuneration, in respect of executive directors, non-executive directors, executives, senior managers and other employees, the board applies the following key principles, on advice from the nomination and remuneration committees:</p> <ul style="list-style-type: none"> • Ensure that remuneration policies and practices are aligned with Salungano’s company strategy and values; • Attract and retain talented, experienced and motivated individuals who can execute the business strategy; • Link salary structures and policies to performance objectives that support sustainable value creation over the short, medium and long term; • Align long-term incentives with the strategic objectives of the company and the creation of long-term shareholder value; and • Apply a fair and reasonable remuneration structure across the company. <p>The board has adopted a remuneration policy that achieves a reasonable balance between guaranteed pay, short-term incentives and long-term incentives, and is aligned with the group’s objectives. The remuneration policy and remuneration implementation report are put to separate non-binding advisory votes by shareholders at the AGM. If 25% or more of shareholders vote against the non-binding resolutions, the board will formally engage with dissenting shareholders to understand and address all legitimate and reasonable concerns.</p> <p>The board annually reviews the remuneration structures to ensure that they are performance-based, are linked to realistic performance objectives that support sustainable long-term growth and are representative of best practice in the industry.</p> <p>The full remuneration report is available in the integrated annual report.</p>
Principle 15	Assurance
<p>The board 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>	<p>The board has adopted a combined assurance model to obtain assurance from various assurance providers that internal controls are efficient and effective, including internal and external audit, regulatory authorities and line functions.</p> <p>Assurance services are overseen by the audit, risk and compliance committee. The committee is responsible for, among others:</p> <ul style="list-style-type: none"> • Reviewing the adequacy and effectiveness of the financial reporting process and system of internal control; • Approving Salungano’s integrated annual report, sustainability report, annual financial statements and interim reports and recommending them to the board for final approval; • Overseeing the internal audit function and approving the annual work plan; • Making recommendations to the shareholders for the appointment of the external auditor and confirming their independence; • Confirming the expertise of the CFO and finance department; and • Ensuring that the financial reporting procedures are appropriate and that those procedures are effective. <p>Where compliance issues are identified, they are reported and rectified timeously. The audit, risk and compliance committee and the board are satisfied that control systems and procedures are suitably implemented, maintained and monitored by qualified personnel, with appropriate segregation of authority, duties and reporting lines.</p>

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Principle 16	Stakeholders
<p>In the execution of its governance role and responsibilities, the board 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>The board is committed to providing timely, relevant and transparent information on corporate strategy and financial performance to Salungano's stakeholders.</p> <p>The board governs stakeholder relationships, communication and reporting and delegates the responsibility for execution to the executive. The CEO, in particular, is mandated to achieve effective relationships with material stakeholders and to identify their needs, interests and expectations.</p> <p>The group manages communication with its key financial audiences, including institutional shareholders and financial analysts, through regular engagement and information sessions following the publication of interim and final results.</p> <p>A broad range of public communication channels are also used to disseminate information, including the website and electronic media.</p> <p>Shareholders are encouraged to attend and actively participate in the AGM. The board ensures that the chairpersons of the group's audit, risk and compliance, social and ethics, remuneration and nomination committees and the designated external auditor are present at the AGM to answer questions from shareholders.</p> <p>Shareholders are treated equitably and the minority shareholders enjoy the protection afforded to them in terms of the Companies Act.</p>