

# 2023 KING IV™ CORPORATE GOVERNANCE COMPLIANCE REPORT

Since the release of King IV™ in November 2016, an annual King IV™ gap analysis is performed which enables the board to assess the effectiveness of its current processes, practices and structures which it uses to direct the Group's operations.

The Group's governance framework is based on the application of the principles and practices recommended by King IV™.

This 2023 King IV™ corporate governance compliance report details how Pan African complies with each of the King IV™ principles.

- 1 Ethical culture
- 2 Good performance
- 3 Effective control
- 4 Legitimacy

## GOVERNANCE OUTCOME: ETHICAL CULTURE

### PRINCIPLE 1 ETHICAL LEADERSHIP The governing body should lead ethically and effectively

- The Pan African board assumes responsibility for overseeing ethics and governance. Its decision-making process includes research, seeking expert advice, when necessary, and considering the impacts of decisions on stakeholders
- Transparency and accountability are maintained through clear and timely communication to shareholders and other stakeholders on the Group's financial performance and strategic direction
- Long-term sustainability is prioritised in the Group's risk management and strategic planning, as evidenced by the Group's renewable energy strategy, adoption of an ESG policy and framework and support for the sustainability-linked bond finance as well as 'beyond compliance' initiatives such as the Barberton Blueberries project
- Compliance with laws, regulations and industry standards is ensured through compliance and risk management systems, audits and monitoring of actions to rectify deficiencies. The board also monitors and manages risks that may impact the Group's operations, financial performance or reputation
- The Group's code of ethics is published on its website at <https://www.panafricanresources.com/about/corporate-governance/>
- The board actively monitors operations and social impact through site visits and reviewing KPIs, reports and financial data and seeks independent audits when needed
- A site tour of Evander Mines was attended by the board in February 2023
- In August 2022, the board attended an ESG tour in Barberton which included the opening of the Barberton Blueberries project, visiting the Care for Wild Rhino Sanctuary and Barberton Nature Reserve as well as visiting Barberton Mines' Royal Sheba project
- The board promotes strategic innovation through initiatives such as the growth exploration programme in Sudan which includes the commissioning of Sudan's first fire assay multi-element analytical laboratory
- The board promotes stakeholder inclusivity through annual reporting of ESG performance and maintains policies such as stakeholder relationship and engagement, whistle-blowing and SHEQC policies, which are available on the Group's website

- For information on how the board has considered its working knowledge, please refer to the following sections of the corporate governance report:
  - Board composition (refer to **page 34**)
  - Board information and support (refer to **page 38**)
  - Board evaluation (refer to **page 42**).

### PRINCIPLE 2 ORGANISATIONAL VALUES, ETHICS AND CULTURE The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

- The directors establish the overall tone for ethical leadership within the board
- The board has an established social and ethics committee, governed by its charter which was last reviewed in June 2022. This committee ensures effective management of the Group's ethics
- The whistle-blowing register is monitored quarterly by the audit and risk committee, and to date, no significant breaches in ethical conduct by senior management have been identified
- The board, through the following, provides direction in the manner in which ethics should be approached, which are periodically reviewed:
  - Code of ethics
  - Values statement
  - Conflict of interest policy
  - Modern slavery and human trafficking policy
  - Anti-bribery and anti-corruption policy
  - Whistle-blower policy
- These reports are published on the Group's website at <https://www.panafricanresources.com/about/corporate-governance/>
- Contracts with third parties include a provision on the adherence to Pan African's code of ethics
- The code of ethics and values statement, along with other policies, are provided to new employees as part of their induction pack.

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### PRINCIPLE 3 RESPONSIBLE CORPORATE CITIZENSHIP

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

- The board takes accountability for ensuring that the Group's strategy, values and conduct align with its commitment to being a responsible corporate citizen. This includes ensuring that the Group's strategic objectives and values are consistent with its corporate social responsibility initiatives, sustainability efforts and ethical conduct standards, with the support of the board's SHEQC committee and social and ethics committee
- Sustainability KPIs are used to track the achievement of the Group's sustainability objectives and are monitored by the SHEQC committee and the social and ethics committee
- Sustainability KPIs include health, safety, environmental, social and compliance elements
- The social and ethics committee monitors the progress of CSI and LED programmes
- The Group's compliance management policy was approved in November 2022
- The Group's tax compliance policy was approved in June 2023
- The Group's community development and CSI policy is available on the Group's website.

### GOVERNANCE OUTCOME: PERFORMANCE AND VALUE CREATION

#### PRINCIPLE 4 STRATEGY, IMPLEMENTATION AND PERFORMANCE

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

- Integrated thinking is essential to the Group's strategy, managing its risks and identifying opportunities. It informs the strategic objectives set by the Group which are approved by the board
- The board oversees the origination of the Group's strategy and its execution
- The board considers sustainability to be a business opportunity and guides the strategy to ensure sustainable outcomes
- Material matters are reviewed and approved annually by the board
- The board endorses the Group's strategic objectives, which are developed and formulated by management. The performance of the Group is assessed against these objectives, KPIs and other relevant metrics through a thorough review of management reports, financial statements and other performance data

- The Group's strategic objectives are set with due consideration of various time horizons, including short-term (one year), medium-term (two to three years) and long-term (three years or more) focus
- Strategic risks are assessed annually by the board
- The board oversees the Group's risk management process and is guided by its committees, own experience and knowledge of the business, internal risk assessments and reviews of risk reports
- The tone, risk management culture and risk appetite are set and overseen by the board
- The board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in considering the best interests of the Company.

#### PRINCIPLE 5 REPORTS AND DISCLOSURE

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

- The board assumes ultimate responsibility for the integrated annual report, the Mineral Resources and Mineral Reserves report, the ESG report and the TCFD report. These reports are published annually on the Group's website
- The integrated annual report, published annually on the Group's website, sets out the Group's strategic initiatives, business model, material matters and its risks and opportunities
- Pan African engages in an annual externally facilitated materiality assessment to define the Group's material matters
- Material matters are reviewed annually by the board
- The integrity of the integrated annual report is reviewed by the audit and risk committee
- The ESG report and the TCFD report are reviewed by the social and ethics committee
- The integrated annual report including the annual financial statements, Mineral Resources and Mineral Reserves report, the ESG report and the TCFD report are approved annually by the board
- Engagement with shareholders and the local and international investment community takes place through roadshows, conferences and investor presentations which are published on our website. These events have taken place virtually and in person
- A combined assurance model is applied and includes assurance obtained from management and external assurance providers
- The execution of our combined assurance model is monitored by the audit and risk committee which reports to the board on an annual basis on the execution of the combined assurance plan.

### GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

#### PRINCIPLE 6 ROLE OF THE GOVERNING BODY

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

- The board provides the Group with strategic direction and is committed to the highest standards of governance, ethics and integrity
- The board, in collaboration with its committees, conducts regular reviews of existing policies, takes proactive measures to develop and implement new policies as necessary and includes the Group's corporate policy register as an appendix in the audit and risk committee pack to ensure its up-to-date accuracy
- The Group's delegation of authority framework was reviewed in November 2022
- An annual internal gap analysis against the King IV™ guidelines is reviewed by the audit and risk committee. The King IV™ corporate governance compliance report is published annually on the Group's website
- The board operates within the parameters set by a formal board charter, which ensures the application of good corporate governance in alignment with the Group's code of ethics. The board charter was internally reviewed and updated in June 2023
- The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2023 financial year
- All directors have the right to independent professional advice at the Group's expense to ensure that they fulfil their roles in terms of the governance principles
- The company secretary is pivotal in ensuring good corporate governance
- Refer to **page 41** for disclosure on the number of board meetings held during the reporting period and attendance at those meetings.

#### PRINCIPLE 7 COMPOSITION OF THE GOVERNING BODY

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

- Non-executive directors on the board perform the function and responsibility of the nomination committee (refer to **page 37** for more information)
- The nomination committee charter was internally reviewed and updated in 2022 to ensure compliance with good corporate governance
- The chairman of the board is an independent non-executive director (for information on the board's composition, refer to **page 34**)

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- The board sets and approves race and gender targets, and it has exceeded its goals for director representation by achieving 29% female representation and 43% HDSA representation
- The nomination committee ensures that the board comprises directors with the appropriate skills, experience, diversity and independence (for more information on the board's diversity of experience, refer to **page 34**)
- Pursuant to the articles of association of the Company, one-third of directors, excluding any director appointed since the previous AGM, must retire from office at each AGM on a rotational basis (refer to **page 34** for more information)
- The directors to retire are those who have been longest in office since their last election or re-election. Retiring directors may make themselves available for re-election if they remain eligible, as required by the constitutional documents and in compliance with the AIM Rules and the JSE Listings Requirements
- In the event of a non-executive director having served more than nine continuous years, he or she is subject to an annual independence assessment by the board
- A formal letter of appointment is provided to newly appointed directors. There were no changes in the board's composition during the 2023 financial year
- Dawn Earp was appointed as the lead independent director and as the audit and risk committee chairperson on 16 September 2021
- Before nominating a candidate for election, the board takes into account the following aspects of the board as a whole:
  - Knowledge, skills and experience
  - Ratio of executive and non-executive directors
  - Sufficient number of directors to serve on committees
  - Sufficient number of directors to secure a quorum
  - Regulatory requirements
  - Gender and diversity targets
- A declaration of all financial, economic and other interests is made by each director annually
- Conflict of interest declarations are also made at the inception of board meetings
- The board of directors' conflict of interest policy was reviewed in June 2023
- The board has considered the independence of its non-executive members who hold securities in the Company, and has concluded that they are independent as the value of their shares is considered immaterial relative to their personal wealth
- The role and responsibilities of the chairman of the board and the chief executive officer are separate.

### PRINCIPLE 8 COMMITTEES OF THE GOVERNING BODY

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

- The board has delegated certain powers to the audit and risk committee, SHEQC committee, Remco, nomination committee and the social and ethics committee (refer to **page 33** for more information and the composition and role of the board committees)
- The Group's committees assist the board in discharging its corporate governance responsibilities and report to the board on a regular basis
- All board committees have formal charters in place which were internally reviewed to ensure that they comply with good corporate governance principles
- The composition of the board's committees (which are assessed annually) complies with the South African Companies Act, Pan African's memorandum of incorporation and each committee's charter
- Senior management are invited to attend committee meetings (refer to **page 41** for more information)
- The audit and risk committee chairperson meets at least annually with the internal and external auditors without management present
- The audit and risk committee has satisfied itself with the accreditation, independence and the quality of information received from PwC, the external auditors. Refer to the audit and risk committee report in the integrated annual report for more information.

### PRINCIPLE 9 PERFORMANCE EVALUATION

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

- The board chairman's performance evaluation is performed annually and is led by the lead independent director
- An annual effectiveness self-evaluation assessment was undertaken by the board and the audit and risk committee for the year under review; the board is satisfied that it and its subcommittees operated effectively
- The board is satisfied that the evaluation process is improving its performance and effectiveness
- The audit and risk committee performs an annual performance assessment of the financial director.

### PRINCIPLE 10 DELEGATION TO MANAGEMENT

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

- The role and responsibilities of the chairman of the board and the chief executive officer are separate
- The chief executive officer is not a member of the audit and risk committee or the nomination committee
- The performance of the chief executive officer is monitored by the board and Remco
- The chief executive officer is accountable and reports to the board
- The company secretary is appointed by the board
- The audit and risk committee reviews the company secretary's qualifications, competence and performance and provides recommendations to the board
- All responsibilities delegated to management are reviewed by relevant committees
- The delegation of authority framework was reviewed and approved in November 2022
- The audit and risk committee reviews the adequacy of resources and skills within the finance department to ensure alignment with the Group's requirements. This includes assessing the adequacy of staffing levels, expertise and capabilities to effectively carry out its responsibilities.

### PRINCIPLE 11 RISK AND OPPORTUNITY GOVERNANCE

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives

- Risk management is integrated into the business activities and culture of Pan African
- The board oversees the Group's risk management process and is guided by the audit and risk committee which is supported by the SHEQC committee, the social and ethics committee and Remco
- The board has delegated to management the responsibility to implement and execute effective risk management
- The risk management policy was reviewed in June 2023
- The board monitors that operational and financial risks are consistent with the Group's risk philosophy and are within the Group's risk appetite
- Refer to our primary risks and opportunities section on **pages 28 to 35** in the integrated annual report for more information.

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### PRINCIPLE 12 INFORMATION TECHNOLOGY (IT) GOVERNANCE

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

- IT governance is formally delegated to the audit and risk committee and is governed by the IT governance policy which was approved in November 2022
- The executive: shared services is responsible for directing, controlling and measuring the IT activities and processes of the Group and keeps the audit and risk committee apprised of the Group's technology and information performance and requirements
- The risk management process considers risks associated with IT
- The protection of personal information policy was reviewed in November 2022
- The Group's technology enables the achievement of its strategic objectives.

### PRINCIPLE 13 COMPLIANCE GOVERNANCE

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

- The board has delegated compliance governance to the audit and risk committee
- The compliance management policy was reviewed and updated in November 2022
- The board approves policies that give direction on compliance and ensures that adopted non-binding rules, codes and standards are aligned to applicable laws and regulations
- The chief executive officer and financial director oversee the implementation and execution of compliance management
- The board received periodic updates from management on the Company's compliance with existing regulations and any changes in the regulatory environment
- For more information on compliance management, refer to **page 42**
- For detailed information on the board's activities and key areas of focus during the reporting period, refer to **pages 22 and 23**
- The Company has not incurred any penalties, sanctions or fines for contraventions of or non-compliance with statutory obligations
- Refer to **page 128** of the integrated annual report for a summary of the Group's reportable environmental incidents.

### PRINCIPLE 14 REMUNERATION GOVERNANCE

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

- In 2019, the board and Remco mandated an independent remuneration firm to review the Group's remuneration framework and policies
- Formal engagement with shareholders on remuneration policies was undertaken
- The remuneration policy and implementation report are reviewed annually by Remco and approved by the board
- The remuneration policy and implementation report are disclosed in the integrated annual report and approved annually by the shareholders at the AGM

### PRINCIPLE 15 ASSURANCE

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

- The internal audit charter was internally reviewed in November 2022
- The external and internal audit plans are approved annually by the audit and risk committee and both follow a risk-based approach
- The external and internal audit findings are monitored by the audit and risk committee
- The audit and risk committee is responsible for the combined assurance plan in consultation with other relevant functions within the Group
- A combined assurance model is applied and includes assurance obtained from management and external assurance providers, thereby giving comfort to the board on the Group's ability to achieve the objectives of an effective control environment and the integrity of its information and reports
- PwC assured our 2023 annual financial statements. Their report is set out on **pages 172 to 177** of the integrated annual report
- PwC assured key sustainability information in this report (refer to **page 79**)
- The audit and risk committee approved the appointment of an independent firm as the Group's internal auditor.

## GOVERNANCE OUTCOME: TRUST, GOOD REPUTATION AND LEGITIMACY

### PRINCIPLE 16 STAKEHOLDERS

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

- Stakeholder relations are managed by the chief executive officer, the financial director and the head of investor relations to ensure that an inclusive approach is followed in achieving the optimal outcomes for all stakeholders in the execution of the Group's strategy
- The social and ethics committee is responsible for oversight of the management of the Group's stakeholder relationships
- The chairman of the board, the chairperson of the audit and risk committee and the designated partner of the external audit firm attend the AGM
- At an operational level, stakeholder engagement is the responsibility of the general manager, human resources manager and ESG manager
- The board approved the Group policy statement for stakeholder relationships and engagement and the Group policy statement for community development and CSI during November 2020
- Refer to our key stakeholders section of the integrated annual report for more information.