

Our risks and opportunities

Pan African evaluates all actual and potential risks that may impact stakeholders or threaten profitability and future sustainability and adjusts its strategy accordingly.

RISK MANAGEMENT APPROACH AND PROCESS

Pan African has an established risk management process which is dynamic and designed to adapt to changes in the risk profile of the Group over time. Our risk management is based on a structured and systematic process which takes into account risks that arise from operational matters or events outside of our control.

Risks and opportunities are managed on four tiers:



Board

The board oversees the Group's risk management process and is guided by its committees, own experience, internal risk assessments and reviews of risk reports. The tone, risk management culture and risk appetite are set and overseen by the board. Each year, the board reviews the Group's risk appetite for ongoing relevance in relation to the Group's strategy. The board monitors the effectiveness of the Group's risk management process and monitors the implementation of risk mitigating strategies against key risk indicators



Board committees

The audit and risk committee supports the board and is complemented by the safety, health, environment, quality and community (SHEQC) committee, which oversees and provides feedback to the board on safety, health and environmental aspects



Executive management

Management at operational levels implement and monitor day-to-day compliance with the Group's risk management process. Risk awareness and a safety culture is embedded in day-to-day operations



Employees

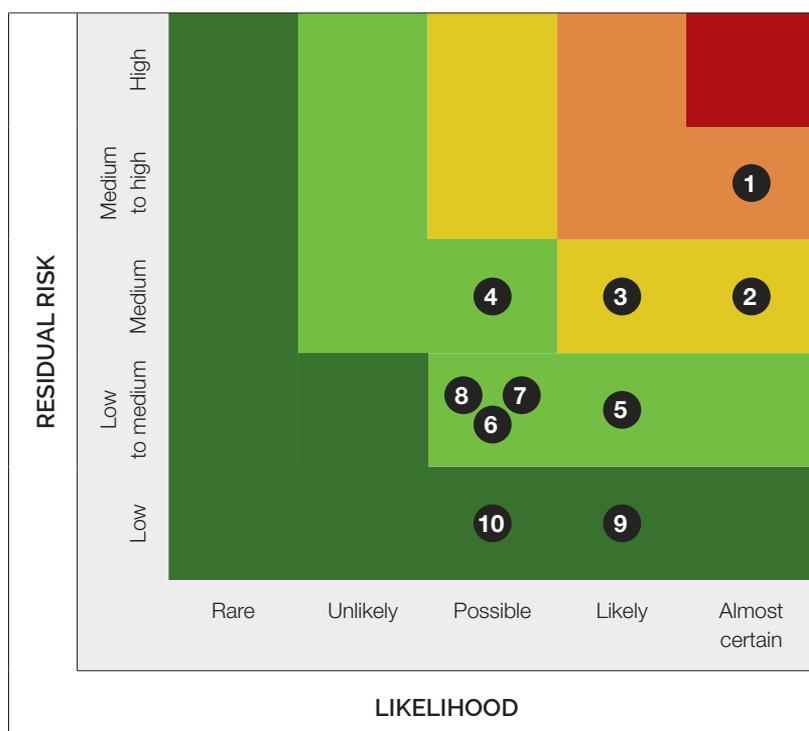
We continually reinforce the message that managing risk is the responsibility of everyone at Pan African



OUR TOP 10 RISKS

We identified the top risks that pose a potential threat to the execution of our business strategy and assessed these risks based on the impact and severity of the risk event should it materialise, as well as the likelihood of the risk occurring.

The identified risks within the Group can have a safety, health, financial, environmental, operational or reputational impact. The identified risks are benchmarked against risks noted by our mining peers to ascertain if these risks are industry-wide. The Group's top 10 risks are reflected on the heat map below:



The risk assessment approach followed by Pan African's management is a collective effort. The assessment of the risks faced by the Group and the effectiveness of the risk mitigating controls is subjective to a large extent. Through mitigating actions and controls, inherent risks are reduced to an acceptable residual risk level.

RISK RANKING

2020	2019	Key risks	Internal	External
1	New	Health performance – the COVID-19 pandemic	X	X
2	2, 4	Heightened social and political uncertainty and instability which may result in business disruption		X
3	7	Infrastructure dependency and constraints	X	
4	11	Environmental impact of mining activities	X	X
5	3	Adverse regulatory consequences and fiscal impositions		X
6	New	Geological variability in the Mineral Resources and Mineral Reserves	X	X
7	6	Macroeconomic volatility which may give rise to financial duress		X
8	1	Interruption to stable power supply		X
9	5	Safety incidents	X	
10	10	Strategic capital allocation	X	

THE IMPACT OF RISK ON OUR STRATEGY

Each of the risks described in the following pages can have an impact on the Group's material matters which are an integral part of the Group's strategic planning and activities. Refer to page 5 for more on the Group's strategy.