



We are more than just a mining company at Implats – we are an integral part of our community. As the union representative on the management/union HIV/AIDS forum, Abram Zulu plays a pivotal role in ensuring that the company assists the local community in developing AIDS awareness on the one hand, and in providing care and support for those in need on the other. Increasingly we are extending our support to the communities from which our employees are drawn.

## Implats supports and applies the practices and conduct advocated in King II

### Corporate governance

Implats supports and applies the Code of Corporate Practices and Conduct as advocated in the King Report 2002 (King II). Following the release of this report in March 2002, a full audit of the group's corporate governance procedures was conducted at management's request and areas of possible concern were identified and are being addressed. Developments and enhancements to achieve best practice for the benefit of all stakeholders are ongoing.

A focus on sustainable value for shareholders will benefit all the group's other stakeholders.

#### Board of directors

The board is based on a unitary structure and retains full and effective control over the group. An approval framework defines the authority of management and matters reserved for board approval. The board meets regularly, six times a year, to review the operational performance of the group, strategic issues, the business plan, acquisitions, disposals and other major contracts and commitments, group policies and stakeholder reporting. In addition to the six scheduled board meetings, the board also meets on an ad hoc basis to consider specific issues, as the need arises. During the year under review, two such meetings were held.

The board has adopted a formal board charter regulating the role of the board and outlining matters reserved for board approval. The board charter is available on the company's website [www.implats.co.za](http://www.implats.co.za). All committees of the board operate within agreed terms of reference approved by the board. These were revised in May 2003 to ensure compliance with King II. The terms of reference are considered as dynamic documents which are reviewed regularly. The committees comprise mainly independent directors.

There are 11 independent and four executive directors on the board. Mr TV Mokgatla, a non-executive director, is not considered to be independent given his relationship with the Royal Bafokeng Nation, with whom the company has a significant contractual arrangement.

The positions of Chairman and Chief Executive Officer are separate, and the Chairman is an independent director.

Five new independent appointments were made to the board during the course of the year to ensure that successors exist for key board positions and to increase the range of skills and experience at the board's disposal. It is necessary to propose these appointments for election at the forthcoming annual general meeting (AGM).

The board now comprises 38% Historically Disadvantaged South Africans (including women), and 19% women.

Board members are elected for three-year terms. Re-election of board members is on a staggered basis to ensure board continuity. Executive directors retire at the AGM following their 63rd birthday, and non-executive directors following their 67th birthday, provided that, in the case of non-executive directors, their terms of office continue on an annual basis, if a majority of their co-directors so request.

Mr PG Joubert, having reached the age of 71, has indicated his intention of resigning at the end of the next AGM. Mr MF Fleming, having reached the age of 68, has been requested by his co-directors and has agreed to continue in office until the end of the calendar year, to ensure a smooth transition of the Health, Safety and Environmental (HSE) Audit Committee.

The curriculum vitae of all directors to be elected or re-elected at the AGM are set out below:

#### To be elected

**Mr RSN Dabengwa (46)**  
BSc (Elect Eng.) MBA, EDP  
(Independent director)

Managing director of MTN(SA). Previously a member of ESKOM's management board responsible for the implementation of the national electrification programme.

**Dr K Mokhele (48)**  
BSc, MSc (Food Science); PhD (Microbiology)  
(Independent director)  
President and chief executive officer of the National Research Foundation; Director, Iscor Limited.

**Ms NDB Orleyn (48)**  
B Juris, B Proc; LLB  
(Independent director)  
Director and senior attorney at the law firm Routledge-Modise where she practices as attorney, facilitator, mediator and trainer. Previously CEO at the Council for Conciliation, Mediation and Arbitration and at IMMS, a South African non-governmental organization which provides mediation facilitation, arbitration and training services to employers.

**Dr FJP Roux (56)**  
BSc, MSc, PhD, MBA.  
(Independent director)  
Non-executive director of Xstrata plc. Previously Chairman of Alusaf and an

executive director of Gencor Limited. Prior to that a director of Rustenburg Platinum Mines and senior general manager in JCI's Platinum Division responsible for worldwide marketing and strategic planning.

**LC van Vught (61)**  
BSc (Hons) (Chemistry); B Comm.  
(Independent director)  
Non-executive director of AECI Limited and Tiger Brands Limited. Previously CEO of AECI Limited and Chairman of Chemical Services Limited.

**To be re-elected**  
**JV Roberts (62)**  
FCIS, ACMA, MBA (Henley)  
(Independent director)  
Has held numerous positions at board level as executive, non-executive and representative of holding company both in South Africa and foreign countries. Managing director of Meta Solutions and director of Senwes. Joined the board in 1998 as a non-executive director.

During the year directors attended board and committee meetings as follows:

	Board of Directors								Audit Committee				Remuneration Committee				HSE Audit Committee				Nominations Committee											
	29/07/2003*	22/08/2003	18/09/2003	07/11/2003	10/02/2004	20/04/2004*	13/05/2004	08/06/2004	No. of meetings No. attended	11/08/2003	28/10/2003	02/02/2004	04/05/2004	No. of meetings No. attended	18/08/2003	30/10/2003	30/01/2004	20/04/2004	No. of meetings No. attended	18/08/2003	20/10/2003	29/01/2004	05/05/2004	No. of meetings No. attended	29/07/2003	21/01/2004	20/04/2004	No. of meetings No. attended				
PG Joubert	√	√	√	√	√	√	√	8	8	i	i	i	i	4	4	√	√	√	√	4	4	√	√	√	√	4	4	√	√	√	3	3
KC Rumble	√	√	√	√	√	√	√	8	8	i	i	i	i	4	4	i	i	i	i	4	4	i	i	i	i	4	4	i	i	i	3	3
DH Brown	√	√	√	√	√	√	√	8	8	i	i	i	i	4	4																	
RSN Dabengwa					√	√	a	a	4	2																						
CE Markus	√	√	√	√	√	√	√	8	8	i				1	1																	
JM McMahon	√	√	√	√	√	√	√	8	8						√	√	√	√	4	4	√	√	√	√	4	4						
MV Mennell	√	√	√	√	√	√	√	8	8	√	√	√	√	4	4												√	√	√	3	3	
TV Mokgatla	√	√	√	√	√	√	√	8	8	i				1	1																	
K Mokhele							a	1	0																							
DM O'Connor	√	√	√	√	√	√	√	8	8	√	√	√	√	4	4																	
NDB Orleyn						√	√	√	3	3																						
LJ Paton			√	√	√	√	√	6	6																							
MF Fleming	√	√	a	√	√	√	√	8	7												√	√	√	√	4	4	√	√	√	3	3	
JV Roberts	√	√	√	√	√	√	√	8	8	a	√	√	√	4	3	√	√	√	√	4	4											
FJP Roux							√	√	2	2																						
LC van Vught					√	√	√	a	4	3																						

**Key**  
\* = special board meetings    i = invitation  
√ = attended    ■ = not applicable  
a = apology

**CE Markus (47)**

BA; LLB

(Executive director)

Graduated from the University of Witwatersrand in 1981. Admitted Attorney, Notary and Conveyancer. Articled clerk and professional assistant for Bell Dewar and Hall attorneys. Legal advisor and company secretary for Dorbyl Limited. Non-executive director of Iscor Limited. Joined Implats in 1991 as Legal Advisor and appointed to the board in 1998.

**JM McMahon (57)**

Pr.Eng; BSc (Mech Eng)

(Independent director)

Graduated from Glasgow University, Scotland as an Engineer in 1968. Held numerous engineering positions on various mining operations and projects. Managing director and executive chairman of Implats from 1990 to 1998. Executive chairman of Gencor Limited and Non-executive Chairman of Implats from 1998 to 2002. Non-executive director since 2002.

**Remuneration Committee****Members**

John Roberts – Chairman

Peter Joubert

Michael McMahon

Thandi Orleyn

The Remuneration Committee comprises four independent directors, and is chaired by an independent director. During the year, Ms Orleyn was appointed as an additional member of the committee. The Chief Executive Officer is invited to attend all Remuneration Committee meetings, except when his own remuneration is under consideration.

The policy of the group is based on the premise that fair and competitive remuneration should motivate individual achievement to enhance company prosperity, through a balanced mixture of both guaranteed and performance-enhancing incentives to attract and retain highly skilled employees in the group.

The main functions of the Remuneration Committee are to:

- propose the remuneration (including incentive schemes) of executive directors and senior executive schemes

- benchmark remuneration practices against both local and international best practice
- prepare innovative policies to attract and retain the services of highly skilled executives
- ensure that the terms and conditions of service of all staff are equitable and competitive
- ensure that a succession planning process is in place
- monitor employment equity ratios and targets
- administer the share incentive scheme

Employees participate in a bonus scheme, which is based on individual achievements, certain value-added criteria (such as volume and cost) and safety improvements. This isolates the effect of metal prices and exchange rates over which management has no control. All senior employees set objectives for the year and apportionment of the bonus is based on the achievement of these objectives.

**Nomination Committee****Members**

Vivienne Mennell – Chairperson

Peter Joubert

Mike Fleming

The Committee comprises three independent directors. It assists the board in ensuring that the structure, size, effectiveness and composition of the board and its committees:

- are reviewed regularly
- comprise the requisite mix of skills, experience, diversity and other qualities; and
- are maintained at appropriate levels in order to
  - meet the requirements of sound corporate governance; and
  - function properly and effectively.

The Nomination Committee is responsible for arranging assessments of the board, its directors and its committees; proposing adjustments to the board and its committees, as appropriate; planning for the succession of directors; recommending appointments and re-elections of directors; establishing a formal induction process and ensuring that a training and development programme is in place for board members.

During the year, self-evaluation exercises were conducted on the Audit Committee and HSE Audit Committee to ensure that the committees were effective in fulfilling their mandates and discharging the board's responsibilities. As a result, various issues identified are being addressed. Self-assessments of the Remuneration and Nomination Committees are in progress.

At the last AGM, the maximum number of directors on the Implats board was increased from 14 to 16. During this past year, various additional appointments were recommended to the board (and approved) to ensure that successors exist for key board positions, to increase the range of skills and experience at the board's disposal, and to transform the composition of the board.

#### **Health, Safety and Environmental Audit Committee**

##### **Members**

Mike Fleming – Chairman  
Sifiso Dabengwa  
Peter Joubert  
Michael McMahon  
Tony Scurr (External consultant)  
Dirk Theuninck (Executive)

A board appointed Health, Safety and Environmental (HSE) Audit Committee has been in place since 1998. Its role in terms of its mandate is to monitor and review health, safety and environmental performance and standards. The HSE Audit Committee supplements and gives support, advice and guidance on the effectiveness or otherwise of management's efforts in the HSE arena. The committee consists of four independent directors, one executive and a consultant. The Chairman is an independent non-executive director. Mr RSN Dabengwa was appointed as an additional member of the committee during the year.

The Committee meets at least once a quarter. Meetings are held alternately at the operations, coinciding with visits to sites of HSE importance/ relevance, or at Implats' head office. At all meetings, Implats' overall performance in all areas of health, safety and the environment is critically appraised. Internal Audit regularly reviews reporting systems to ensure that accidents and injuries

sustained by employees/contractors are reported timeously and effectively.

#### **Audit Committee**

##### **Members**

Lex van Vught – Chairman  
Vivienne Mennell  
Thabo Mokgatlha  
John Roberts

During the year, Mr DM O'Connor resigned as Chairman of the Audit Committee and Mr L van Vught was appointed in his stead. Mr T Mokgatlha was appointed as an additional member. Mr Mokgatlha, a non-executive director, contributes the specific skills associated with his qualification (CA(SA)). The Audit Committee comprises three independent and one non-executive director. Its role is to provide assurance that relevant board duties are discharged by:

- monitoring the integrity of the financial statements and other relevant external financial reports of Implats and reviewing all significant inputs, judgments and outputs in order to present a balanced and understandable assessment of the position, performance and prospects of Implats, as appropriate
- reviewing the company's internal financial control and financial risk management systems in order to safeguard Implats' assets
- monitoring and reviewing the effectiveness of Implats' internal audit functions
- recommending to the board the appointment of the external auditors, approving the remuneration and terms of engagement of the external auditors and monitoring their independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements

The committee, in carrying out its tasks, has a wide range of powers to consult both internally and externally. The overriding principle is that the committee shall be provided with sufficient resources to undertake its duties.

Its terms of reference allow the investigation into any activity of the company and permit the seeking of information or advice from any employee in the course of its duties. The Chairman of the Audit Commit-

tee meets once a year on an individual basis with the external and internal auditors, the Chief Executive Officer and the Chief Financial Officer, without any other executive member of the board in attendance.

The Audit Committee oversees the Risk Management Committee. A "whistle blowing" toll-free helpline is in place to facilitate the confidential reporting of alleged incidents which are communicated to the Chairman of the board.

### Risk management

Membership of the Risk Management Committee is set out on page 33. Implats' philosophy on risk management is founded on the conviction that the most successful mining operations in the long run are those that are able to understand and effectively manage the inherent uncertainties associated with mining. For Implats, risk management is about maintaining an appropriate balance between reaping rewards and the concomitant risks.

In 2002, the board directed management to establish a programme aimed at integrating the current risk management activities in the various operations and core functions.

The programme was initiated in early 2003 with the appointment of a group risk manager and the establishment of a group Risk Management Committee. This committee functions as an integral part of the board's governance structures.

The Risk Management Committee Charter approved by the board defines the committee's terms of reference and responsibilities.

The following critical steps towards the establishment of an integrated or enterprise-wide risk management system have been completed:

- approval of the Risk Management Committee Charter by the board.
- development of a common Implats risk assessment methodology which is defined by a framework, process and system that are based on contemporary best practice. This methodology will be used in all Implats' operations and functions.

- establishment of and communication to all managers of a Risk Management Policy and Code of Practice applicable to all operations and activities of Implats. The code of practice was used to develop the training material for risk champions.
- appointment and training of risk champions in all areas and functions of Implats.
- development of a common risk management system and information repository.
- development of an Implats Assets and Business Interruption Insurance Underwriters Guide that serves to integrate and align the activities of risk management and insurance.
- development of a group risk framework and profile following a strategic review of all risks faced by Implats.
- the inherent strategic risks identified are reviewed and monitored by the board on an ongoing basis.

Furthermore, the board reviews and monitors all management activities in the areas identified to ensure sustainability and continuous improvement in the management of these risks and that appropriate and timely action is taken on the inevitable changes in the external and internal business environment

### Internal control systems

The group maintains accounting and administrative control systems designed to provide reasonable assurance that the accounting records accurately reflect all transactions; are executed and recorded in accordance with sound business practices; that the assets are safeguarded; and that protection is provided against serious risk of error or loss, in a cost-effective manner.

An internal audit department, which holds regular meetings with management and the Audit Committee and has direct access to the Chairman of the board, independently monitors these controls. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls has occurred during the year under review.

### Insurable risks

With the hardening in insurance markets worldwide, particularly in the wake of the

tragic events of 11 September 2001, the company has not been able to secure full-value insurance coverage. A review of the group's major insurable risks and associated potential monetary losses revealed that the company has adequate cover. The company has taken steps to ameliorate potential losses through a variety of means, including "normal" insurance and a degree of self-insurance and robust, pure risk management programmes.

Despite the company's best endeavours, certain conditions within insurance policies do not allow the company full insurance cover for tailings dams which could, upon failure, result in a partially uninsured loss. To mitigate this loss, the company has stepped up monitoring procedures of the tailings dams. There also remains an uninsured layer under the current insurance policy, this is not considered material (from R51 million to R100 million).

#### Legislation

The new Mineral and Petroleum Resources Development Act (the Act), which came into effect on 1 May 2004, has profound implications for the mining industry.

Together with the Broad-Based Socio-Economic Empowerment Charter for the Mining Industry (Mining Charter), the Scorecard for the Mining Charter and the Royalty Bill, this represents a significant departure from the previous legislative regime and will govern the security of tenure of mineral resource and reserve assets for all South African mining and prospecting operations. Although the interim arrangements provided for in the Act allow for a five-year period to complete the conversion process, Implats is fully committed to converting all the old order mining rights obtained in terms of the Minerals Act of 1991 during FY2005. Significant milestones such as the BEE participation at Marula and the Incwala Resources arrangement are in the public domain and are detailed elsewhere in the annual report.

In terms of the new minerals legislation, a mining right may be granted for a period not exceeding 30 years. It is presently envisaged that most of Implats' mineral resources and reserves areas within South Africa will be mined out within this period. An extension

will be required for some areas. Mineral resources presently contained within old order prospecting right areas also form an important part of the long-term mine plans and due priority will be allocated to these for the eventual progression to new order mining rights.

#### Transformation

The business plan of the organisation includes interventions to support the transformation process, to develop and empower our workforce and to accommodate both anticipated and recently promulgated legislation.

Our commitment to the process of unlocking the potential of our employees applies in particular to those who fall into the category of designated groups. All our developmental programmes, succession planning, career path programmes and bursary projects take cognisance of this commitment.

Numerous steering committees have been established and specific numerical targets have been set over a five-year period to achieve a workplace free of discrimination. The planned target levels and the levels of achievement are set out in the table on page 32. Some progress against targets has been made, particularly at supervisory and management levels but there is still some way to go to meet the set targets.

The report (on page 32) is a requirement in terms of the Employment Equity Act, the targets of which will be reviewed periodically.

#### Employee participation

The group is committed to open and transparent communication with employees and employee participation is encouraged through various short-term and long-term initiatives and campaigns. A quarterly Leadership Summit facilitates communication between management and employee representatives across the organisation. In addition, representatives of all unions serve on key committees such as Implats' HIV/AIDS and Best Practice Committees.

#### Code of values

The group has adopted a code of values governing the manner in which it does business with its stakeholders and, in par-

ticular, covering business integrity and development, and the safety of employees. These are detailed on page 5 of this report. The process whereby employees have committed themselves to these values has resulted in the development of the principles of that code into a "Value Statement" which interprets those values in a practical and easily understandable form. All employees and directors are required to adhere to the ethical standards contained in this code.

### Ethics

Impala has a bona fide code of business practices to which all employees and suppliers are expected to adhere. The policy outlines conflicts of interest, the prevention of dissemination of company information, the acceptance of donations and gifts, and protection of the intellectual property and patent rights of the company. The policy outlines the disciplinary action (including dismissal or prosecution) which will be taken in the event of any contravention.

A formal, comprehensive, ethics policy embracing all operations in the group is being prepared for formal adoption during the forthcoming year. Procedures will be put in place to ensure compliance with recently promulgated legislation by all operations.

### Shareholders

Implats communicates regularly with shareholders and other stakeholders regarding its financial and operational performance. Communication with interested institutional and private investors pays due regard to the statutory and regulatory requirements on the communication of price sensitive information by the company and its officers.

Investors, fund managers, analysts, the media and the market are kept fully, timeously and honestly informed on all developments. It is company policy to pay dividends twice a year, at the end of the interim financial period (when approximately one-third of the dividend is paid) and at the end of the financial year (when usually the remaining two-thirds are paid). While the payment of dividends is not guaranteed, they have been paid consistently for the previous five years. Currently, the dividend cover is 1.9. The company has paid a special

dividend previously and would consider doing so again if there was cash available in excess of the company's requirements and it elected not to pursue any other means of returning excess cash to shareholders.

The shareholder communication functions of the group secretary and the share registrar are supported by an investor relations programme which operates in South Africa, Europe and the United States. This programme is aimed at maintaining contact with institutional shareholders, fund managers and analysts in these countries, and the media, and to undertake formal financial disclosure through the interim and annual results announcements, the annual report, roadshows, press releases, ad hoc investor meetings, participation in investment conferences and the website. In particular, roadshows and teleconference calls also provide investors with the opportunity to communicate with management and to make recommendations to the board. Management is also open to meetings requested by shareholders and contact details are available on the website.

The results announcements, both interim and annual, take the form of live presentations which are webcast simultaneously. Inter-national conference calls are also held. All presentations, webcasts and conference call transcripts are available on the website. In addition, copies of all presentations made by executive management are posted on the website.

### Access to information

Implats has complied with the requirements of the Promotion of Access to Information Act of 2000. The corporate manual is available on the website and from the Group Secretary.

The group observes a closed period from the end of the relevant accounting period to the announcement of interim or year-end results, during which neither directors nor employees can deal, either directly or indirectly, in the shares of Implats or its listed subsidiaries.

### Sponsor

Deutsche Bank is the corporate sponsor, in compliance with the JSE's listing requirements.

## Employment equity targets

	Current Total employees	Current Total designated*	Current % designated*	FY2006** % target*
Senior management	78	8	10.3	23,5
Middle management	454	133	29.3	31,2
Skilled	1 844	794	43.1	45,1
Total	2 376	935	39.4	42,3

\* The term "designated employee" refers to those employees designated in terms of the Employment Equity Act as having been historically disadvantaged.

\*\* Negotiated targets as required in terms of the Employment Equity Act.

### Effects and implications of the annual general meeting

The AGM provides an opportunity for shareholders to question the board including the chairpersons of the various board committees.

The notice of the AGM set out on page 144 will have the following effects and implications.

#### Item

1. To approve the annual financial statements for the year ended 30 June 2004.
2. To elect Messrs RSN Dabengwa and LC van Vught, Drs FJP Roux and K Mokhele, and Ms NDB Orleyn as directors of the company.
3. Re-elect as directors of the company Ms CE Markus, Messrs JV Roberts and JM McMahon, who retire from office at the meeting.
4. To approve the remuneration of the non-executive directors for the forthcoming year.

5. To grant the directors general authority to issue shares in the capital of the company subject to a maximum of 10% of the issued capital and the provisions of the Companies Act.

6. To extend for a further year the authority of the directors to issue shares in the capital of the company for cash subject to the provisions of the JSE Securities Exchange South Africa's listings requirements. The annual amount, which can be issued, is limited to 15% of the issued share capital. The resolution requires a 75% majority vote of members present at the meeting to approve the resolution.

#### Special business

7. To extend for a further year the authority of the directors to buy-back a maximum of 10% of the company's issued share capital. The special resolution requires approval by a 75% majority of members present at the meeting.