

# Our operating context

Implats' strategy considers the influence and implications of the macro-environment in which we operate, the changing market dynamics for PGM markets and the strategies of our peers, which present risks and opportunities for our business. Our strategy directs our approach to managing these factors, within the framework of sustained value creation for our stakeholders in the short, medium and long term.

## VALUE-CREATION IMPACTS

### Macro-economic factors and PGM markets

During the period, global economic activity was characterised by steady but anaemic growth with slowing disinflation and persistently restrictive monetary policies. Interest rates remained at multi-decade highs, presenting headwinds to both consumer and investment sentiment in precious metal markets, which negatively impacted prices. The geopolitical climate, characterised by ongoing conflicts in Ukraine and the Middle East, numerous national elections, and rising trade protectionism has had significant implications for the global economy. PGM pricing dislocations were caused by the shift in trade flows from West to East and discounted metal flowing from Russia. In addition, destocking by OEMs and industrial end-users exacerbated the price impact of speculative investment flows in platinum and palladium. Fundamental deficits in each of the primary PGMs are anticipated to persist in the near term.

### Market forces for PGMs

	Short term	Medium term	Long term
<b>Platinum</b>	Global economy, Chinese purchasing and consumption, switching, South African supply	Global economy, switching, above-ground stocks, Asian jewellery, hydrogen	South African supply outlook, hydrogen, electrification of heavy-duty in fleet, changes industrial capacity
<b>Palladium</b>	Auto sales, constrained autocat recycling, NYMEX shorts	Switching, electrification, recycling, growth, Russian supply	Electrification, recycling, new demand drivers
<b>Rhodium</b>	Auto sales, South African supply, industrial destocking	Electrification, UG2 mine economics, industrial demand, recycling	Electrification, South African supply, industrial demand evolution
<b>Iridium and ruthenium</b>	Global electro-chemical demand, South African supply, strategic sourcing	Hydrogen economy, substitution	Hydrogen economy, South African supply, recycling

### Implications for value

- Impact on demand for natural resources
- Market and macro-economic fundamentals and the geopolitical climate have a direct impact on pricing and revenue generation
- The PGM outlook requires prudent long-term planning to optimally position Implats' portfolio.

### Strategic response

- Strategic response to lower PGM pricing including portfolio changes and capital deferrals
- Maintain strong customer relationships and market intelligence
- Tailor market development activities to support key long-term demand drivers
- Support key institutional partners, including the IPA, PGI and WPIC
- Anticipate and respond to evolving stakeholder needs
- Focus on optimal capital allocation.

### Risks

PGM basket pricing

①

### Strategic pillars

- Sustainable development
- Operational excellence
- Organisational effectiveness
- Optimal capital structure
- Future focus.



Intellectual capital



Financial capital



Social and relationship capital



Natural capital

# Our operating context continued

## Currency and commodity factors

Commodity pricing remains vulnerable to changing market dynamics and liquidity, and variations in investor sentiment. The South African rand is the dominant PGM producer currency and, as a result, there is a close correlation between currency performance and the incentive price of these metals. Persistent interest rate differentials have proved rand supportive, with investor sentiment further buoyed by the outcome of the May 2024 national elections, buffering the headwinds of persistent domestic factors and regional challenges. Effective currency and exchange rate risk management remains a key focus due to the continued devaluation of the Zimbabwean dollar and the recent introduction of the Zimbabwe Gold (ZWG).

### Implications for value

- Implats' revenue is highly dependent on realised dollar pricing for its products and the performance of various exchange rates, which also influences the cost of production across its operations
- Revenue cyclicality and volatility over time have meaningful implications for profitability and, hence, capital allocation priorities
- Exchange rate exposure could translate into high inflation and result in cost escalation.

### Strategic response

- Currency and commodity price forecasts consider market fundamentals and global risk factors to more effectively manage future risks associated with financial capital
- Interventions are implemented to counteract inherent cost inflation
- Banking facilities are denominated in both rand and dollars at a competitive cost
- The impact, mitigation and long-term strategy related to the devaluation of the ZWG is heavily reliant on proactive engagement with authorities, which is discussed in more detail in our risks and opportunities section on [page 39](#) and appendix A.

Risks	Strategic pillars
PGM basket pricing	① ◦ Operational excellence
ZWD inflation risk	⑥ ◦ Optimal capital structure ◦ Competitive asset portfolio ◦ Future focus.



Intellectual capital



Financial capital



Social and relationship capital

## Stakeholder expectations

PGM miners face challenging – and sometimes competing – stakeholder expectations from host communities, governments, organised labour and investors. These expectations evolve over time, creating the need for an organisational structure and culture, which can both anticipate and respond timeously and appropriately.

### Implications for value

- Stakeholder expectations and Implats' response to them have a significant impact on our legal and social licence to operate, and the ability to operate assets at optimal capacity to generate sustainable value and deliver meaningful returns.

### Strategic response

- Implementing rigorous and effective stakeholder engagement strategies
- Creating a flexible and responsive organisational structure and strategy
- Deepening our understanding of variable stakeholder expectations
- Maintaining an optimal capital allocation framework to provide sustainable and attractive value for stakeholders
- Broadening economic participation in our operations through employee and community equity participation.

Risks	Strategic pillars
PGM basket pricing	① ◦ Sustainable development
Labour relations	④ ◦ Operational excellence
Social licence and stakeholder relations	⑦ ◦ Organisational effectiveness ◦ Optimal capital structure ◦ Future focus.



Human capital



Social and relationship capital



Financial capital

# Our operating context continued

## Labour and skills management

There is a global skills shortage in the mining industry across a wide spectrum of key occupations – including artisans, engineers, technicians and effective managers with the relevant mining and minerals processing experience. The global pool of mining talent has diminished and attracting candidates with these skills, in particular to South Africa and Zimbabwe, is challenging. In addition, mining companies are significant employers and must ensure stable and harmonious labour relations, share value, offer a rewarding working environment, and safeguard employees’ health and wellbeing, while also growing and retaining the bench strength required to realise their strategic ambitions. Achieving these objectives is frustrated by the impact of weak prevailing PGM pricing, which has resulted in labour restructuring at all the leading PGM producers.

### Implications for value

- Appropriate skills and staffing and the maintenance of an optimal and harmonious labour relations environment is critical for the delivery of consistent and safe production
- The financial cost and broader organisational effort of building the talent pipeline, finding and retaining the required skills and engaging third-party consultants.

### Strategic response

- Align and equip the Group’s organisational structure to increase knowledge and skills in targeted growth areas
- Maintain high levels of employee engagement while monitoring and mitigating employee relations risks
- Internal talent management processes and improved retention programmes
- Recognise and reward employees through bonuses, incentives and employee share ownership structures
- Cordial wage negotiations and proactive engagement with labour
- Implats’ employee wellness programme provides support across physical and psycho-social spheres, while its financial education initiatives and industry leading home ownership scheme provides for either family or single accommodation.

### Risks

- PGM basket pricing ①
- Safety risk ②
- Labour relations ④
- Social licence and stakeholder relations ⑦
- Management capacity and efficiency ⑨

### Strategic pillars

- Sustainable development
- Operational excellence
- Organisational effectiveness
- Optimal capital structure
- Future focus.



Intellectual capital



Human capital



Social and relationship capital



Financial capital

## Technology development

Advancing technology, digital and artificial intelligence interventions create new opportunities for mechanisation and automation to improve efficiencies, internal processes and organisational structures, while enhancing safety and our environmental performance. Digital security risks are a global concern. Technological advances in energy storage and the hydrogen economy pave the way for the development of meaningful new demand sources for PGMs.

### Implications for value

- Advancing technologies improve safety and efficiency while enhancing business effectiveness. Information technologies are a key support function, foundational to ensuring the Group delivers on strategic imperatives
- Risk of cyber attacks, which could interrupt business activities and/or result in the disclosure of confidential information and intellectual property
- Emerging energy value chains associated with the nascent hydrogen economy create significant new opportunities for PGM use
- Adapted strategies, talent and new skills may be required.

### Strategic response

- Agile technology development and adoption improves responsiveness to changing needs across the business
- Advance opportunities to leverage new opportunities and further enhance business efficiencies
- Investment in AP Ventures, the venture capital firm focused on portfolio companies which advance and innovate technologies in hydrogen and decarbonisation
- Effective cyber risk management and cyber defence mechanisms in place with an enhanced focus on data privacy risks.

### Risks

- PGM basket pricing ①
- Safety risk ②
- Social licence and stakeholder relations ⑦
- Regulatory risk ⑧
- Management capacity and efficiency ⑨
- Cyber security ⑩

### Strategic pillars

- Sustainable development
- Operational excellence
- Organisational effectiveness
- Optimal capital structure
- Future focus.



Natural capital



Intellectual capital



Social and relationship capital



Financial capital



Manufactured capital



Human capital

# Our operating context continued

## Asset portfolio

Implats' mineral resource portfolio is both geographically diverse and dominated by low-cost, mechanised orebodies and is complemented by a suite of integrated processing assets. We seek to optimise operational planning and capital investment to enhance the competitive positioning of each asset to maximise returns and reduce vulnerability to PGM cyclicalities.

### Implications for value

- Value creation is influenced by our ability to safely extract, process and refine metals efficiently and effectively at the lowest possible cost
- A competitive and geographically diverse mineral resources portfolio – shallow, mechanisable, with a favourable ore mix – enables the Group to produce higher-quality volumes at a lower relative cost, and match future demand for our primary products
- Our demonstrated commitment to continuously improving the Group's environmental performance and our strong governance structures enhance the desirability of our products
- Implats' integrated processing assets are a key competitive differentiator.



Natural capital



Manufactured capital



Financial capital



Intellectual capital

### Strategic response

- Leveraging and strengthening a diverse asset base, with increasing operational exposure to shallow, mechanisable orebodies to boost our competitive portfolio
- Enhancing environmental and social performance to differentiate our production
- Ongoing development and optimisation of our processing facilities
- Keen focus on cost containment, achieving economies of scale and realising production efficiencies.

### Risks

- PGM basket pricing ①
- Safety risk ②
- IB business case ③
- Labour relations ④
- Social licence and stakeholder relations ⑦
- Regulatory risk ⑧
- Failure to establish resilience around water scarcity within the South African region
- Failure to implement climate change adaptation measures
- Successful integration of Impala Bafokeng into Implats' operating model.

### Strategic pillars

- Sustainable development
- Operational excellence
- Organisational effectiveness
- Optimal capital structure
- Competitive asset portfolio
- Future focus.

## Sustainability considerations

Implats' activities must be conducted in an environmentally responsible way and within a strong governance framework, while ensuring and improving the wellbeing of affected stakeholders.

### Implications for value

- Successfully executed management of environmental, social and governance matters creates a significant opportunity for long-term value creation, builds trust, sustains growth, attracts investment and secures our social licence to operate.

### Strategic response

- Continuous improvement in our strategic approach to ESG, in line with global best practice
- A comprehensive ESG framework guides the development and integration of sustainability principles into functional strategies
- Implats' capital allocation framework prioritises investment in strategic ESG initiatives, buffering the constrained environment caused by the prevailing PGM prices.

### Risks

- PGM basket pricing ①
- Safety risk ②
- Social licence and stakeholder relations ⑦
- Regulatory risk ⑧
- Management capacity and efficiency ⑨
- Cyber security ⑩

### Strategic pillars

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# Our operating context continued

## Access to essential services

Security of electricity and water supply remain key risks for southern African operations.

### Implications for value

- Power insecurity presents safety and business continuity risks
- Rising tariffs and carbon taxes, and the pursuit of green energy alternatives have a financial impact
- Competing demands for scarce water resources affect our social licence to operate.

### Strategic response

- The Group decarbonisation strategy targets carbon neutrality by 2050, with a 30% reduction by 2030 of the 2019 baseline
- All southern African operations are investigating or progressing renewable energy projects
- Water strategy in place to diversify and increase water sources, including additional brown water supply, increased water re-use and recycling and reduced freshwater intake
- Household electrification and community water supply projects form part of the Group's social investment plans
- Constrained free cash flow requires prudent capital allocation to support key Group initiatives.

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Risks	Strategic pillars
<b>PGM basket pricing</b>	<b>1</b> ◦ Sustainable development
<b>Electricity</b>	<b>5</b> ◦ Operational excellence
<b>Social licence and stakeholder relations</b>	<b>7</b> ◦ Optimal capital structure ◦ Competitive asset portfolio ◦ Future focus.
◦ Failure to establish resilience around water scarcity within the southern African region.	

## Regulatory environment

Delivering superior value to all stakeholders is premised on ensuring full or beyond compliance with the legislative and policy environments in the geographies in which we operate.

### Implications for value

- The cost associated with compliance, and penalties and operational disruption for non-compliance
- Policy uncertainty impacts investment appetite, economic growth, employment rates and country risk.

### Strategic response

- Compliance with all relevant legislation in all our operating jurisdictions
- Anticipate change and emerging challenges to enable risk mitigation and appropriate reaction and consultation
- Ongoing, proactive and constructive stakeholder engagement to remain abreast of potential shifts or changes to regulatory frameworks

Risks	Strategic pillars
<b>ZWD inflation risk</b>	<b>6</b> ◦ Sustainable development
<b>Social licence and stakeholder relations</b>	<b>7</b> ◦ Competitive asset portfolio ◦ Operational excellence
<b>Regulatory risk</b>	<b>8</b> ◦ Future focus.
◦ Failure to implement climate change adaptation measures.	

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Aerial view of Mimosa, Zimbabwe