

The Assore board believes that strong corporate governance not only enhances sustainable control of an organisation but is essential to preserving organisational reputation, investor confidence, access to capital, when required, and sustainable employee motivation.

Consequently, the group subscribes, in all its activities, to a policy of best practice in business management and corporate governance for South African companies, which it implements in accordance with the following three dimensional framework:

- Installing a risk and control environment within its business entities where management is responsible for identifying, quantifying and managing risks to achieve the organisation's objectives on a sustainable basis;
- Creating a process which provides executive management, through the Audit Committee, with assurance over the adequacy of internal control within the organisation, ie that the risk and control environment in place is appropriate for the business concerned and is working as intended; and
- Establishing a challenge process to identify the effectiveness of both the risk management environment and the assurance processes. This is generally the role of the internal audit function and other independent technical assurance specialists used on a consultancy basis.

The company's shares are listed on the JSE which requires that all listed companies comply with the Code of Corporate Practices as set out in the King Report on Corporate Governance. The King Report was originally issued in November 1994 and updated in March 2002 as the "King II Report". The objective of the King Reports is to formulate recommendations for the maintenance and improvement of standards of corporate governance in South African companies in accordance with international best practice.

The group's practices are compliant with all the material requirements of these reports and ongoing consideration is given to those peripheral practices recommended in the King II Report which have not yet been implemented by the group. Where it is not possible or it is impractical for the group to comply with the recommendations, the instances are referred to in this report and mention is made of the alternative procedures which the board has agreed to implement.

BOARD OF DIRECTORS

The directors are committed to the principles of corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Composition

The Assore board has a unitary structure comprising eight directors, four of which are executive and four non-executive.

Of the four non-executive directors, Mr P N Boynton represents the Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual), which has interest in the group and Mr Cyril Ramaphosa represents the Shanduka Group which is one of Assore's black economic empowerment partners. The other two non-executive directors are regarded as independent and hold directorships in other listed and unlisted companies registered in South Africa.

The non-executive directors do not receive any benefits from the company other than their fee for services as directors, which, in the case of the directors representing Shanduka and Old Mutual, are paid over to their respective employers.

The four executive directors are Messrs Desmond Sacco (Chairman), R J Carpenter (Deputy Chairman), C J Cory (Chief Executive Officer) and P C Crous (Group Technical Director) and each of these executives is also on the board of joint venture company, Assmang.

Remuneration

Details of emoluments paid to directors and directors' interests in shares of the company are disclosed in the Directors' Report on pages 100 and 101 and none of the executive directors have signed contracts of service with the company which specify either a paid notice period or additional compensation in the event of termination.

Election

In accordance with the company's Articles of Association, all directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In addition all directors are subject to re-election by shareholders at the first annual general meeting following their initial appointment. A brief curriculum vitae of each director is set out on page 102 of this report.

Meetings

The board meets at least four times per annum on predetermined dates with additional meetings convened when considered necessary. The board met on four occasions in the year under review and attendance at these meetings was as follows:

	Possible	Attended
Desmond Sacco	4	3
R J Carpenter	4	4
C J Cory	4	4
P C Crous	4	4
B M Hawksworth	4	4
P N Boynton	4	4
M C Ramaphosa	4	1
Dr J C van der Horst	4	4

Audit Committee

B M Hawksworth (Chair) P N Boynton
C J Cory Dr J C van der Horst

The Audit Committee is a sub-committee of the board and the Chairman of the Audit Committee reports on activities of the committee at each board meeting.

Representatives of the internal and external auditors are also invited to attend the regular meetings of the committee and, if necessary, have direct access to the Chairman of the committee throughout the year.

In line with the recent amendments to the Companies Act, Messrs Boynton and Cory have resigned from the Audit Committee but continue to attend meetings by invitation.

The Audit Committee was established in terms of a charter approved by the board which, *inter alia*, sets out its duties and responsibilities and is reviewed on an annual basis to ensure it remains appropriate to the activities of the group.

The majority of the members of the Audit Committee, including the Chairman (who will make himself available to take questions at the annual general meeting), are non-executive directors and the committee meets at least three times per annum. The prime objectives of the Audit Committee are to:

- monitor the efficiency and effectiveness of the group's internal control environment;
- review and approve the drafts of financial reports prior to their issue;
- consider the appropriateness of the group's accounting policies; and
- provide a forum for the management of the external and internal audit functions and the resolution of issues which arise from audit activities.

All audit work is undertaken based on programmes prepared in accordance with an ongoing risk evaluation process which ensures that

the focus of the audit effort is optimised (refer Risk Management and Internal Audit and Internal Control below).

Remuneration Committee

B M Hawksworth (Chair) Dr J C van der Horst
Desmond Sacco

The majority of the members are non-executive directors, including the Chairman, and the committee meets at least once a year for the annual salary review which the Chief Executive Officer attends by invitation. Recommendations on the broad framework and cost of executive remuneration are made annually to the board for approval and in order to do so the committee is required to determine:

- the group's general policy on executive remuneration;
- specific remuneration packages for executive directors; and
- where necessary, criteria to assess the required performance of executive directors.

The remuneration of non-executive directors is determined by the Assore executive and, in terms of the Articles of Association, requires approval at a shareholders' meeting. Remuneration of other employees in the group is determined annually by the executive directors in conjunction with the human resources department.

Insider trading and closed periods

The group operates a closed period prior to the publication of its interim and final results. During this period directors, officers and designated persons who may have access to price sensitive information are precluded from dealing in the shares of the group. The closed period extends from the first day of the month following the end of a financial reporting period and expires on the day on which the interim or final results are published. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent.

RISK MANAGEMENT

Risk is an ever-present feature of business in general. It is exacerbated in the mining industry as a result of the remote locations of operations, the physical danger inherent in the day-to-day activities of mining and smelting operations and the volume and complexity of legislation with which these industries have to comply. The most prominent financial risks to which the group is exposed, namely fluctuations in exchange rates and world commodity prices, are to a large extent outside of the board's direct control.

Group risk management is achieved through the identification and control of all significant business risks including operational risks, which could adversely affect the achievements of the group's business objectives. Risk is managed at group level through the appointment of various risk management committees, which comprise representatives from senior management. The committees report to the board of directors through the Audit Committee. An independent formalised process of identifying, recording and

reviewing the management of major risk exposures has been implemented, assisted by specialised external consultants where required. Independent risk engineering consultants grade each operation against international risk standards for fire, security, engineering, commercial crime, contingency planning and mining, as well as environmental risk to monitor whether current practices meet the set criteria and are being maintained. The risk management committees are also responsible for ensuring that appropriate financial and insurance mechanisms are integrated into the risk plan and the group is protected against catastrophic risk including failure of IT systems.

In addition, the group risk management process includes ongoing review of compliance with legislation in the areas of environmental rehabilitation, health and safety, and human resource management. This review is undertaken in conjunction with independent, specialist consultants and subjected to regular compliance audits. Reports emanating from these independent reviews are tabled at the Audit Committee, which monitors progress and raises unresolved issues at board level for resolution.

HEALTH, SAFETY AND ENVIRONMENT

Health

The HIV/AIDS pandemic is without doubt the most important health concern for all businesses in South Africa. It does not only affect the productivity of all operations through illness, absenteeism and untimely death, but also has an impact on the working environment of employees and on the social implications for both their families and the communities within which they live.

Each of the larger operations in the group has devised a comprehensive strategy to control the impact of HIV/AIDS on its operations and on its global competitiveness, and to provide humanitarian support to affected employees and their families. Current policies focus on the education of the workforce using an extensive HIV/AIDS education programme. This programme has also been taken to the schools and other institutions within the rural areas surrounding the group's operating divisions. Regular surveys are conducted to measure changing attitudes towards HIV/AIDS and voluntary education also takes place. Participation in initiatives to address HIV/AIDS is ongoing. The HIV/AIDS Scorecard process has evolved over the past three years to measure the extent to which the operations are subscribing to the King II Good Governance Principles, which requires the board of directors to:

- ensure they understand the social and economic impact that HIV/AIDS will have on the group's business activities;
- adopt an appropriate HIV/AIDS strategy plan and policies to address and manage the potential impact;
- regularly monitor and measure performance using established indicators; and
- report to stakeholders on a regular basis. Management of the HIV/AIDS pandemic is critical to sustainable development and, in order to achieve the goals set in the King II Report, the group will continue to improve its operational interventions by setting targets for each operation and reviewing achievement against plan on a regular basis.

Safety

Employees undergo stringent safety training on operating procedures, use of equipment and operation of plant and machinery. Attention is focused on supervision and direction in reducing workplace accidents and related occupational health and hygiene related incidents. Activities in this regard include the application of regular measurement against legislated or regulatory requirements, analytical reviews of accidents which occur and compliance with current industry and international best practices.

Environment

The Assore group views its responsibility in terms of protecting the environment in a serious light and environmental management is regarded as a key performance area for all operations. Environmental management systems are based on internationally accepted standards and are implemented in conjunction with recognised consultants based on the following commitments:

- Recognition of rehabilitation as an essential part of the mining process;
- Ongoing maintenance and assessment of environmental conditions surrounding mining and smelting activities with the view to reducing to a minimum pollution, waste generation and other negative impacts on the environment in which operations are located;
- Developing awareness amongst staff of environmental issues through ongoing training programmes; and
- Maintaining positive relationships on environmental issues with stakeholders, including shareholders, employees, neighbours and regulatory authorities.

It is a requirement that all mining companies in the group undertake environmental impact assessments and complete restoration work with regard to areas that have been disturbed by mining and prospecting activities in accordance with these assessments. All companies in the group, which are currently involved with prospecting and mining activities, have submitted environmental management programmes to the relevant Regional Director of the Department of Minerals and Energy for approval and all the costs associated with the programmes are regarded as an integral part of the prospecting and mining operations concerned. These costs are either charged to the cost of mining when incurred or, where it is not possible to complete restoration work as an integral part of the mining operation, annual contributions are made to the Environmental Trust Funds (Trusts) which have been established for this purpose. Annual contributions to these Trusts are calculated, based on the remaining life of the mining operations and the final estimated cost concerned, which includes decommissioning costs and the cost of restoration as required by the Department of Minerals and Energy. Notwithstanding the transfers made to the Trusts, the full liability for rehabilitation is raised as a long term provision and the investments of the Trusts are recognised as an asset in the group's balance sheet.

INTERNAL AUDIT AND INTERNAL CONTROL

The board, through its appointed Audit Committee, is accountable for the implementation of appropriate internal controls, which are reviewed regularly for efficiency and effectiveness. These controls are designed to manage the risk of failure, and provide reasonable

assurance that there is an adequate system of internal control in place. As with all management systems the assurance provided is not absolute and the risk of failure cannot be eliminated entirely. The internal audit functions at the various operations in the group have been outsourced to the special services divisions of recognised professional auditing firms. Internal auditors monitor the operation of the internal control systems and, after discussion with management, report findings and recommendations to the Audit Committee. Corrective action is taken to address control deficiencies as and when they are identified. Nothing has come to the attention of the board to indicate that any material breakdown in the effective functioning of controls, procedures and systems has occurred during the year under review.

Representatives of the internal audit team are invited to attend Audit Committee meetings and, where areas of new risk are identified eg initiation of capital projects or new systems of internal control, separate independent investigations take place on an ad hoc basis in addition to the programmed reviews referred to above.

EMPLOYEE PARTICIPATION AND SOCIAL INVESTMENT

For many years, collective bargaining procedures have been negotiated with workforce representatives but, where a workforce has elected not to be represented by a recognised union, it is encouraged to elect a Works Committee to achieve the same objectives. The forums so created are utilised in wage negotiations and to communicate information regarding operating performance and facilitate workforce participation in health, safety and educational issues.

The group is committed to promoting respect for the dignity of the individual, the maintenance of fair employment conditions and the development, through education, of competent and committed employees. The group, in conjunction with the Assore Chairman's Fund, provides financial assistance for study purposes to all members of staff, including their dependants, based on defined performance criteria. A substantial proportion of the donations made annually by the fund is made to a wide range of educational institutions ranging from self-help programmes and adult literacy training to financial assistance for study at tertiary level. The fund also supports and provides sponsorship for a variety of sporting events, in particular, providing financial assistance and incentives for the participation of young sportsmen and women from disadvantaged backgrounds who display significant sporting talent.

EMPLOYMENT EQUITY

The Employment Equity Act imposes obligations, *inter alia*, on all companies to meet certain employment quotas with regard to the various employee groupings which are designated by the act.

The board is of the view that the advancement of new and existing employees by means of employment equity can only succeed if this forms part of carefully managed succession and workforce plans which do not compromise the high standards of efficiency sought by the group in the workplace.

Employment equity plans and reports for each operation were developed in consultation with the recognised unions at each of the

operations and have been presented to the Department of Labour in accordance with legal requirements. An Employment Equity Committee, representing management and employees, exists at each of the operations and progress in implementing the equity plans and revising targets is monitored on a regular basis. The following equity principles have been employed within the legislative framework in formulating the policies referred to above:

- To ensure no unfair discrimination occurs in employment practices;
- To treat all persons equally, fairly, with dignity and respect;
- To achieve a diverse, efficient workforce which aims to be equitably representative of the population in its operational areas;
- To create opportunities for, and remove barriers to, human resource development;
- To involve employees and their representatives in employment equity matters; and
- To be an effective corporate partner of communities, government and other social stakeholders.

The development of skills is a critical issue, which is being implemented rapidly, but thoroughly, at each operation in order to address the widening gap between the supply of, and demand for, skilled labour.

CODE OF ETHICS, RESPONSIBILITIES TO STAKEHOLDERS AND SUSTAINABLE DEVELOPMENT

The group has not developed a comprehensive Code of Ethics but the following principles have been adopted to guide various aspects of corporate behaviour to ensure the group remains committed to the highest standards of integrity in dealing with its stakeholders and developing its business activities in a sustainable way.

Investors

Dealing properly with all stakeholders in order to serve the best interests of shareholders on a sustainable basis. Commitment to full compliance with relevant laws and rules, good corporate governance, transparency and fair dealing.

Employees

Employing only the most appropriately skilled individuals and investing in their development in a non-discriminatory environment.

Communities

Promoting strong relationships with, and raising the capacity of the communities in which the group's activities are located.

Customers and business partners

Seeking mutually beneficial long-term relationships with customers, business partners, contractors and suppliers based on fair and ethical practices.

Governmental bodies

Respect for laws of the countries in which the group operates, while seeking to observe within its operations the universal standards promulgated by leading inter-governmental organisations.

Non-governmental organisations

Maintenance of constructive relations with relevant non-governmental organisations.