

---

## **CORPORATE GOVERNANCE AND KING CODE**

---

### **1. INTRODUCTION**

Hulamin is committed to high standards of corporate governance. The Company endeavours to comply with the principles incorporated in the King Code of Corporate Practices and Conduct as contained in the King II report, and has adopted high standards of accountability, transparency and integrity in the running of the business and reporting to shareholders and other stakeholders. All policies and procedures are to be reviewed by the new board pursuant to the unbundling.

The key features of Hulamin's approach to corporate governance are set out below. In addition, special attention will be given to:

- providing all stakeholders and the financial investment community with clear, concise and timely information about the Company's operations and results;
- ensuring appropriate business and financial risk management;
- ensuring that no employee may deal, directly or indirectly, in Hulamin ordinary shares on the basis of unpublished price-sensitive information regarding the business;
- ensuring that no director, or management official who participates in the Hulamin share incentive scheme, trades in Hulamin ordinary shares during restricted periods determined by the board; and
- acknowledging the Company's social responsibility and providing assistance and development support to the communities in which it operates, and to deserving institutions at large.

### **2. BOARD OF DIRECTORS**

Hulamin's unitary board will include a majority of non-executive directors.

The non-executive directors bring to the board a range of additional and complementary skills and unfettered independent views, aimed at ensuring that the interests of all the Company's shareholders, suppliers, customers and employees are fully and effectively managed.

The executive directors, together with the executive management committee, will be responsible for developing business strategies for recommendation to the board of directors, and for implementing strategies and policies approved by the Board. They will be responsible for the day to day management of the Company's operations.

The primary responsibility of the board includes the setting of the Company's strategic direction, review and approval of business plans, budgets and policies. It retains full and effective control over the organisation on all material matters with delegated responsibilities clearly and comprehensively documented. The board will monitor the activities of the executive management committee and ensure that the Company operates ethically and conforms to the highest standards of corporate governance. It will also ensure that the internal controls, both operational and financial, are adequate and that through effective internal controls the financial accounts accurately and objectively reflect the Company's business.

The board will be chaired by a non-executive chairman who will not be the chief executive officer. There are clear divisions of responsibilities between the chairman and chief executive officer.

The board will meet at least four times annually and more frequently if required. The company secretary will provide the board with advice and services and will ensure that the required statutory procedures and applicable rules and regulations are followed.

The terms of office and rights of shareholders to appoint directors are set out in Annexure 7 to this pre-listing statement.

### **3. EXECUTIVE MANAGEMENT COMMITTEE**

The executive management committee will be chaired by the chief executive officer.

The executive management committee will be mandated, empowered and held accountable for developing and implementing the strategies, business plans and policies as approved by the board, managing and monitoring the business affairs of the Company in accordance with the approved plans and budgets, prioritising the allocation of capital and other resources and establishing best management and operating practices.

The executive management committee will also be responsible for structured and transparent management succession planning and the identification, development and advancement of the Company's future leaders. Also within the executive management committee's ambit is the setting of operational standards, codes of conduct and corporate ethics.

#### **4. BOARD COMMITTEES**

The board will have an audit and compliance committee, and a remuneration and nomination committee. These committees will be fully mandated by the board as to their membership, scope of authority, responsibilities and duties.

These committees will be chaired by non-executive directors and will be comprised of a majority of non-executive directors.

##### **4.1 Audit and Compliance Committee**

The audit and compliance committee will consist of a majority of non-executive directors. The Company's financial director and internal and external auditors will attend all the audit and compliance committee meetings and have unrestricted access to the chairman of this committee. The audit and compliance committee in turn will communicate freely with the chairman of the board, who will not be a serving member of the audit and compliance committee.

The committee's responsibilities will include:

- 4.1.1. to consider the appointment and retention of the external auditor(s) and any questions of resignation or dismissal of the auditor(s);
- 4.1.2 to discuss with the external auditor(s) before the audit commences the auditor(s) engagement letter, the nature and scope of the audit engagement, the audit fee, and to ensure co-ordination where more than one audit firm is involved and maintenance of a professional relationship;
- 4.1.3 to examine the interim and annual financial statements, the accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding the Company's results or other financial information to be made public, before submission to the board;
- 4.1.4 to review the internal audit function's compliance with the plans and objectives as approved by the committee;
- 4.1.5 to review the effectiveness of the Company's systems of internal control, including internal financial control and computerised information systems' control and security;
- 4.1.6 to consider the appointment, dismissal or re-assignment of the head of the internal audit function;
- 4.1.7 to review the adequacy of corrective action taken in response to significant internal audit findings, arising from internal audits or special investigations;
- 4.1.8 to consider and review the appointment of internal audit service providers and to monitor all non-audit services provided by the independent external auditors;
- 4.1.9 to review any statement on ethical standards for the Company.

To perform these functions, the audit and compliance committee will meet half-yearly, or more frequently if required.

##### **4.2 Remuneration and Nomination Committee**

- 4.2.1 The remuneration and nomination committee will have a clearly defined mandate from the board aimed at:
  - 4.2.1.1 ensuring alignment of the remuneration strategy and policy with Hulamín's business strategy, desired culture, shareholders' interests and commercial well-being;
  - 4.2.1.2 determining remuneration packages needed to attract, retain and motivate high performing executives without paying more than is necessary for this purpose;
  - 4.2.1.3 ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account;

- 4.2.1.4 ensuring adequacy of retirement and health care funding for senior executives
- 4.2.1.5 communicating remuneration policies, and strategic goals and objectives to all stakeholders;
- 4.2.1.6 identifying candidates and making recommendations for the appointment of directors.
- 4.2.2 The remuneration and nomination committee shall on behalf of the board of directors:
  - 4.2.2.1 review remuneration levels of senior executives;
  - 4.2.2.2 review performance-based incentive schemes, and the related performance criteria and measurements, including share option allocations;
  - 4.2.2.3 review fees payable to non-executive directors (as a separate process from executive remuneration reviews) for confirmation of the board.
- 4.2.3 The committee shall review its terms of reference annually.

In discharging its responsibilities, this committee will consult within the Company and draw extensively on external surveys and independent advice and information.

To perform these functions the remuneration committee will meet half yearly or more frequently if required.

## **5. RISK MANAGEMENT**

The total process of risk management, which includes the related systems of internal control, is the responsibility of the board. Management is accountable to the board for designing, implementing and monitoring an integrated process of risk management into the daily activities of Hulamín.

The board will through the Audit and Compliance Committee, ensure that management implements appropriate risk management processes and controls.