

KING IV APPLICATION REGISTER - ANGLO AMERICAN SA FINANCE LIMITED

Principle	Application / Explanation
Governance outcome: Ethical culture	
<i>Principle 1: The governing body should lead ethically and effectively</i>	The Board of Anglo American SA Finance Limited (“AASAF” or the “Company”) is committed to applying and enforcing the applicable corporate governance principles of the King Report on Corporate Governance for South Africa, 2016 (“King IV”). AASAF is a wholly owned subsidiary of Anglo American South Africa Proprietary Limited (“AASA”) and, its main business is the borrowing and lending of money to AASA, fellow subsidiaries of AASA, joint venture entities or associates of AASA group of companies and any related or inter-related companies. Board members have a legal duty to act in good faith, in the best interests of the Company, to act with care and diligence and avoid conflict of interest with the Company.
<i>Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</i>	The board subscribes to the ethical standards detailed in the Anglo American code of conduct and business integrity principles as an Anglo American plc group policy and seeks to lead by example. It demonstrates these standards in all engagements with stakeholders and in its deliberations and decision-making processes. The memorandum of incorporation of AASAF prescribes that it will establish a social and ethics committee unless its holding company will perform the functions required on behalf of the Company. To this extent the AASA Social, Ethics and Transformation (“SET”) committee has been mandated to perform the function on behalf of AASAF. The SET committee received updates on the implementation strategy for the group code of conduct and reviewed compliance to this code. It also reviewed the results of an ethical risk assessment of 23 areas in the code of conduct, which identified top risks in the areas of: ·Bribery and corruption ·Managing and protecting information ·Stakeholder relations.
<i>Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</i>	The concept of responsible corporate citizenship is integrated into the Anglo American group strategy in terms of the strategic elements - innovation and people. Refer to pages 25 to 39 of the Anglo American plc Annual Report 2018. Given the broad scope of corporate citizenship, oversight in South Africa vests with the Audit Committee of AASAF and Social, Ethics and Transformation Committee of the AASA board.

Principle	Application / Explanation
Governance outcome: Performance and value creation	
<i>Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</i>	Given that AASAF is a wholly owned subsidiary of AASA, who in turn is a wholly owned subsidiary of Anglo American plc, the group strategy is adopted. Oversight of the implementation of the strategy from a South African perspective is a function of the AASA board. Ongoing assessment and response to negative impacts on the company/group or by the company/group are continuously assessed via the management structure of AASA i.e. government relations, human resources, corporate communications, treasury, finance, technical and sustainability. The AASA and AASAF going concern status, finances and performance are continuously monitored and reported to the board on a bi-annual basis. Following the conversion of AASA to a private company on 24 June 2019, AASA disbanded its Audit and Risk Committee. An Audit Committee of AASAF was formed on 1 November 2019 and has specific responsibility for risk management and has delegated oversight to its Audit committee. This committee regularly reviews significant risks and mitigating strategies, and reports to the board on material changes in the group's risk profile. The risk management process is facilitated by Anglo Business Assurance Services, but overall accountability and responsibility for risk management rests with the respective company board of directors, executives and other officers.
<i>Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</i>	The AASAF Board acknowledges it's responsibility for the integrity and transparency of the Company's reporting and, assisted by the Audit Committee and the external auditors, oversee the issue of the annual financial statements of the Company which will in future contain a summarised version of its application of the King IV principles.
Governance outcome: Adequate and effective control – governing structures and delegation	
<i>Principle 6: The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</i>	Consideration will be given to adopting a board charter to document and govern the manner in which the directors conduct themselves and manage the Company.

Principle	Application / Explanation
<i>Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</i>	The AASAF directors have the necessary skills and experience in the areas of finance, treasury, taxation, accounting, compliance and governance. Three of the directors are independent non-executive directors of the Company
<i>Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</i>	Following the conversion of AASA to a private company and the disbandment of the AASA Audit and Risk Committee, it was necessary, in terms of the Companies Act, 71 of 2008, for the Company to appoint an Audit Committee. The SET committee has been mandated to fulfil the function required on behalf of AASAF as a wholly owned subsidiary of AASA. Both these committees act against written terms of reference under which specific functions of the board are delegated with defined purposes, membership requirements, duties and reporting procedures.
<i>Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</i>	Formal board evaluations are not conducted. However, the representation on the board is regularly reviewed in terms of skills and competencies by AASA.
<i>Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</i>	AASAF has been established with a specific function and purpose of money lending and is a wholly owned subsidiary of AASA and therefore has no employees. The Company has appointed Anglo Operations (Pty) Ltd to act as company secretary to provide governance and secretarial services to the Company. In addition, Anglo Operations (Pty) Ltd provide, <i>inter alia</i> , business, legal, tax, treasury, finance and advisory services to AASAF.

Principle	Application / Explanation
Governance outcome: Adequate and effective control – governance functional areas	
<i>Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</i>	The AASAF board assumes the responsibility for the governance of risk and has delegated this function to the Audit committee, which regularly reviews significant risks and mitigating strategies and reports to the board on material changes to the AASA group's risk profile. The risk management process is facilitated by Anglo American Business Assurance Services.
<i>Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</i>	Anglo American group has adopted the methodology of the IT Governance Institute and the control objectives for information and related technology (COBIT) framework to meet King IV requirements. The Audit Committee of the Company has been formally delegated responsibility for governing information and technology.
<i>Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</i>	Compliance with, and enforcement of, the Companies Act, JSE Listings Requirements, legislation governing the mining industry and the group's governance policies are monitored and tracked through internal monitoring and reporting systems, reviews, and internal and external audits.
<i>Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.</i>	The Company does not remunerate its directors whom are in the employ of Anglo Operations Proprietary Limited. As a group company performing a specific purpose for the group, it has no employees. Directors fees are however paid to the independent non-executive directors of the Company on a quarterly basis.

Principle	Application / Explanation
<i>Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</i>	Internal audit serves as an independent appraisal function that examines and evaluates the activities and appropriateness of the group's systems of internal control, risk management and governance. Internal audit services are provided by Anglo Business Assurance Services. The Audit and Risk committee of AASA as well as the Audit committee of the Company are satisfied that internal audit met its responsibilities for the 2019 year under its terms of reference. Audit plans are presented in advance to the Audit committee and based on an assessment of areas of risk involving an independent review of the group's own risk assessments. The internal audit team attends and presents its findings to the audit committee. Deloitte as external auditors' places reliance on the work performed by internal audit during their external audit process.
Governance outcome: Trust, good reputation and legitimacy	
<i>Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</i>	Stakeholder relationships are managed via an integrated stakeholder management forum overseen by the executive director of AASA. The management of stakeholder relationships is based on a stakeholder-inclusive approach that balances the needs, interests and expectations of all stakeholders in the best interest of the Company over time. Stakeholder groupings include, <i>inter alia</i>, regulators, media and government.