

## LPPM RESPONSIBLE PLATINUM AND PALLADIUM SOURCING

### IMPALA PLATINUM LIMITED COMPLIANCE REPORT 2020

TABLE 1: REFINER'S DETAILS	
Refiner's name:	Impala Platinum Limited ("Impala"), 96% owned by Impala Platinum Holdings Limited ("Implats")
Processing entities and locations:	Impala Platinum Processing – Phokeng, North West, South Africa Impala Platinum Refineries – Springs, Gauteng, South Africa
Reporting period:	1 May 2020 to 31 October 2020
Date of Report:	2 February 2021
Senior Management responsible for this report:	Sifiso Sibiyi, Group Executive: Refining and Marketing (Compliance Officer)
<p>The Impala operation comprises a 10-shaft mining complex, concentrator and smelter near Rustenburg in South Africa and base and precious metal refineries in Springs, east of Johannesburg. Impala processes material from its own mining complex, Group companies within South Africa and Zimbabwe as well as third parties.</p> <p>Implats is listed on the Johannesburg Stock Exchange (JSE) and is a leading producer of platinum group metals ("PGMs"). It employs 50 744 people, including contractors, across six mining operations and a toll refining business.</p>	

### IMPALA'S EVALUATION

TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE
<b>Step 1: Establish strong company management systems</b>
<b>Compliance Statement:</b> Impala have complied with Step 1: Establish strong management systems.
1. Has the refiner adopted a company policy regarding due diligence for supply chains of Platinum and Palladium?
<p><b>Comments and demonstration of compliance:</b></p> <p>The unprecedented Covid-19 pandemic which resulted in the declaration of a nationwide lockdown in the Republic of South Africa from midnight 26 March 2020 until close 30 April 2020 and thereafter a systematic ramp-up of the platinum mining industry, had a material impact upon the formal establishment of the Implats Responsible Sourcing management system. Although its Platinum and Palladium Responsible Sourcing Policy had been developed by March 2020, adaptation to working remotely and necessary management focus upon the safe shutdown, start-up and ramp-up of operations, meant that the Responsible Sourcing Policy was only formally approved in July 2020. Such policy is available for perusal on its website (<a href="https://implats.co.za/pdf/sustainable-key-development-documents/platinum-and-palladium-responsible-sourcing-policy-20200703.PDF">https://implats.co.za/pdf/sustainable-key-development-documents/platinum-and-palladium-responsible-sourcing-policy-20200703.PDF</a>) and is consistent with the model policy of the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In addition, while the initial draft of a Responsible Sourcing Procedure, to regulate the implementation of the Responsible Sourcing Policy, was circulated for</p>

comment in early April 2020, such procedure was only completed by end August 2020 and formally inculcated into the Impala Quality Management System in September 2020.

Early in June 2020, Impala advised representatives of the LPPM of such unavoidable delays and the inevitable impact upon any scheduled audit in calendar year (CY) 2020. During the period under review, the Responsible Sourcing Policy was utilised to review existing counterparties and shall hereafter be used as a fundamental instrument to review prospective suppliers of Platinum and Palladium containing material.

2. Has the refiner set up an internal management structure to support supply chain due diligence?

**Comments and demonstration of compliance:**

The Compliance Officer, who was appointed in November 2019, is a member of the Executive Committee. Impala established a Responsible Sourcing Committee (RSC) which consists of managers who are responsible for the following activities: contract negotiation; material receipt; day-to-day administration of the business and counterparty liaison; marketing and sustainable development. Since as above, the Responsible Sourcing Policy and associated Procedure, fundamental pillars of the Impala Responsible Sourcing system, were substantially delayed, then despite its Procedure calling for quarterly meetings, the prerequisite that Impala schedule a Responsible Sourcing audit before close CY2020 meant that during the period under review the RSC were only able to convene one meeting in October.

The defined roles and responsibilities of each committee member are detailed in the Responsible Sourcing Procedure. During the period under review, supply chain risk assessments were reviewed by the Relationship Manager, Compliance Manager and a member of the Executive Committee. Going forward, supply chain risk assessments shall continue to be reviewed by the aforementioned people. However, should an instance of high risk be identified, such assessment shall be referred to the RSC for further consideration. In addition, in future, all risk assessment outcomes shall be communicated to the RSC regardless of the level of risk identified. Training, which consisted of a basic introduction to the concept of responsible sourcing together with the type of identifiable risks to check for, plus examples of incidents to report, was provided for relevant operational personnel during March 2020. During the period July to October 2020 further training, which clarified the requirements of the Policy and to ensure operational adherence thereto, was provided for relevant operational personnel and extended to security personnel involved with the checking of material receipt, personnel responsible for contract administration and liaison with counterparties and marketing personnel. There was no training provided during the period April to June 2020 as a result of COVID-19.

3. Has the refiner established a strong internal system of due diligence, controls and transparency over Platinum/Palladium supply chains, including traceability and identification of other supply chain actors?

**Comments and demonstration of compliance:**

All PGM containing material received from Group companies and other counterparties are recorded and administered by means of a bespoke metal accounting and financial accounting system with checks and controls in place to ensure the accuracy and security of information. Weights are compared with counterparty information upon arrival. All documentation which accompanies receipts is verified and material is set aside if any discrepancies are noted. Non-compliance issues are reported to relevant personnel for resolution failing which, unresolved issues shall be reported to the RSC. No non-compliance issues were escalated to the RSC during the period under review.

Assays are exchanged with counterparties and compared in accordance with contractual requirements. When assays are outside contractual splitting limits, samples are sent to an independent laboratory for analysis.

All payments for material are by means of authorised electronic transmission of funds to a designated bank account.

Impala supports all applicable laws and regulations and at all times strives to comply fully with them. Impala cooperates with all relevant government authorities.

4. Has the refiner strengthened engagement with Platinum/Palladium supplying counterparties and, where possible, assisted Platinum/Palladium supplying counterparties in building due diligence capacities?

**Comments and demonstration of compliance:**

Impala maintains close relationships with its PGM supplying counterparties by means of email correspondence. The Responsible Sourcing Policy has been communicated to all counterparties together with an appropriate link to the Implats website.

5. Has the refiner established a company-wide communication mechanism to promote broad based employee participation and risk identification to management?

**Comments and demonstration of compliance:**

Implats have a Whistle Blower Hotline in place (<https://implats.co.za/pdf/sustainable-key-development-documents/fraud-and-corruption-policy-new.pdf>), which allows employees and external stakeholders to anonymously report any instance of suspected fraud, corruption, human rights abuse and misconduct. The Hotline is managed by an independent third party. All calls are reported to Impala's internal audit department who in turn will report all PGM supply chain related incidents to the RSC members. All information is treated as strictly confidential.

No incidents relating to the PGM supply chain were raised during the reporting period.

**Step 2: Identify and assess risks in the supply chain**

**Compliance Statement:**

Subject to the provisions of 2.2, Impala have complied with Step 2: Identify and assess risks in the supply chain.

1. Does the refiner have a process to identify risks in the supply chain?

**Comments and demonstration of compliance:**

All fundamental high-risk issues as defined by the LPPM's Responsible Platinum/Palladium Guidance ("RPPG") are identified by means of the following process steps. Existing counterparties are required to complete a Know-Your-Producer ("KYP") questionnaire (an integral part of the Refiners' Toolkit as listed on the LPPM website, which includes the requisition of a number of documents commensurate with the source operation) on an annual basis. Prospective counterparties are also required to complete a KYP questionnaire prior to the establishment of a new agreement. Independent sources are used to determine whether the country of origin and/or country through which the material transits, is rated as a conflict-affected or human rights abuse high-risk area or not. None of the materials received during the period under review, originated from high-risk countries.

Independent sources are used to verify the incorporation and existence of the organisation and ensuring legal tenure of the material being supplied.

No risks were identified during the period under review.

2. Does the refiner assess risks in the light of the standards of their due diligence system?

**Comments and demonstration of compliance:**

While the RPPG requires that *a supply chain due diligence be performed before entering into a business relationship with any Platinum/Palladium-supplying counterparty*, the platinum/palladium containing material received by Impala during the period under review;

- Was all from long-established business relationships
- 99.7% of the palladium and all of the platinum was from known mining sources
- With the exception of one mined source, was from either listed (or parental listed) companies, which are therefore deemed low risk
- Was mainly from mined sources within whom Impala holds not less than 46% equity.

Impala performed supply chain due diligence and completed the risk assessments for both mined and, as below, limited volumes of palladium containing recycle material. However, the late formalisation of the Responsible Policy and Procedure had a knock-on effect upon the timing of such due diligence and the formal conclusion of the risk assessment process. As a result, limited due diligence evidence (as advised by the RPPG) for mined material was outstanding at 31 October 2020.

In addition, during the period under review Impala received a limited volume of material from industrial catalyst recycle containing, 833 oz palladium or, less than 0.3% of the total received palladium and none of the received platinum. While such material was also from long-established relationships, whilst the material grade was low-grade as commensurate for such material source, whilst the material as above was not sourced from a country of origin deemed high risk, some due diligence evidence relating to such limited recycle material was outstanding as at 31 October 2020. Such outstanding due diligence information pertaining to both mining and recycle material has, in accordance with the Corrective Action Plan (CAP), been subsequently obtained.

No existing or potential counterparty was rated as high-risk during the period under review.

3. Does the refiner report risk assessments to the designated manager?

**Comments and demonstration of compliance:**

Supply chain assessment forms are completed for each counterparty based upon the outcome of the due diligence process and each counterparty is rated as either high risk or non-high risk. The assessment forms are reviewed and approved by the Relationship Manager, Compliance Manager and a member of the Executive Committee. Should the approval process identify a risk which is deemed significant, then additional information may be requested from the counterparty for review by the RSC. The RSC could if it is deemed necessary, make recommendation for the suspension or discontinuation of a relationship.

No existing relationships were suspended or discontinued during the period under review.

**Step 3: Design and implement a management strategy to respond to identified risks**

**Compliance statement:**

Impala have complied with Step 3: Design and implement a management strategy to respond to identified risks.

1. Does the refiner report findings to designated Senior Management?

**Comments and demonstration of compliance:**

Current counterparties were assessed, and supply chain assessment forms were approved by the Relationship Manager, Compliance Manager and a member of the Executive Committee. The Compliance Officer shall report any concerns which may arise from the due diligence process to the Executive Committee.

No concerns were raised during the period under review.

2. Has the refiner devised a strategy for risk management of an identified risk by either (i) mitigation of risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

**Comments and demonstration of compliance:**

If the result of the PGM supply chain due diligence concludes that it is possible that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, or fraudulent misrepresentation of the origin of the PGMs, Impala shall suspend the refining of PGMs from such counterparty until it can obtain additional information/data confirming or refuting the preliminary assessment.

If the result of the supply chain due diligence concludes that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed

group, or fraudulent misrepresentation of the origin of the PGMs or if the possibility of the same is deemed too high, Impala shall immediately cease the refining of PGMs from such a counterparty. No existing relationships were suspended or discontinued during the period under review. No existing counterparty is on a formal improvement strategy.

3. Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic assessment of risk and regular reporting to designated senior management.

**Comments and demonstration of compliance:**

The due diligence process is repeated on an annual basis for existing counterparties and feedback is provided to the Responsible Sourcing Committee. A counterparty will be re-assessed on an ad-hoc basis should the continuous monitoring process highlight any potential change in risk. In instances where a risk has been identified, additional information will be requested and risk mitigating factors will be considered.

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

**Compliance statement:**

Impala have complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

**Comments and demonstration of compliance:**

Impala has engaged PricewaterhouseCoopers Inc. (PwC) to provide a reasonable assurance opinion on the assertions contained in this compliance report. The assurance report is attached to this compliance report and is available on our website (<https://implats.co.za/sustainability-key-documents.php>).

**Step 5: Report on supply chain due diligence**

**Compliance statement:**

We have complied with Step 5: Report on supply chain due diligence.

**Comments and demonstration of compliance:**

This compliance report, is prepared in accordance with Step 5 of the LPPM Responsible Platinum/Palladium Guidance and is available on our website (<https://implats.co.za/sustainability-key-documents.php>).

**IMPALA OVERALL CONCLUSION**

**TABLE 3: MANAGEMENT CONCLUSION**

Impala have complied with the requirements of the LPPM Responsible Sourcing Platinum/Palladium Guidance for the reporting period.

**Compliance Statement:**

Subject to Step 2.2 detailed above, Impala implemented management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance for the period 1 May 2020 to 31 October 2020.

Impala is committed to continuous improvement.

**TABLE 4: OTHER REPORT COMMENTS**

**Compliance Statement:**

Readers of this report can contact the Compliance Officer to provide feedback or address relevant queries by emailing: [sifiso.sibiya@implats.co.za](mailto:sifiso.sibiya@implats.co.za)

**TABLE 5: SUMMARY OF CORRECTIVE ACTION PLAN**

**Description of medium-risk non-compliance**

**Timing and extent of counterparties' risk assessment and due diligence processes for suppliers of recycled material**

As above, together, the unprecedented Covid-19 pandemic, the nationwide lockdown in RSA and thereafter the systematic ramp-up of the platinum mining had a material impact upon the formal establishment of the Implats Responsible Sourcing management system. Late formalisation of Policy and Procedure had a knock-on effect upon the timing of due diligence such that Impala's risk assessment process was only formally concluded on 28 October 2020 (3 days before the end of the period under review). While the long-established recycled material counterparties (which collectively accounted for less than 0.3% of the total received palladium and none of the received platinum for the period under review) were deemed to be low risk, should any of such recycle material counterparties have been deemed to represent a high risk following the initial risk assessment, there would not have been sufficient time to perform the required enhanced due diligence before 31 October 2020.

Certain due diligence evidence for a limited volume of recycled material was not obtained by 31 October 2020 (or had only been obtained part way through the period under review).

**Reference to Responsible Platinum/Palladium Guidance**

Step 2.2

**Corrective actions to be taken**

- All outstanding due diligence evidence has already been obtained. *(Complete)*
- Impala's Responsible Sourcing Procedure will be updated to:
  - clearly indicate what due diligence documents shall be procured
  - which procedures shall be followed and
  - the timing thereof for subsequent audit periods
 in order to perform comprehensive due diligence upon future suppliers of recycled material and to allow sufficient time to perform any enhanced due diligence as would be required were any of such suppliers of recycled material identified as high risk during the initial risk assessment process. *(Estimated completion date - 26 March 2021)*




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**Sifiso Sibiya**  
**Platinum and Palladium Responsible Sourcing Compliance Officer**  
**(Group Executive: Refining and Marketing)**  
**2 February 2021**