

# SUSTAINABILITY REPORT 2014

# AfriSam



**80** *Years*  
1934 - 2014



# CONTENTS





## *SCOPE OF THIS REPORT 05*

Scope & Boundary



## *AFRISAM BUSINESS 07*

Vision, Mission & Values

Our History

Company Overview

Products & Services

Presence & Capabilities

Shareholders

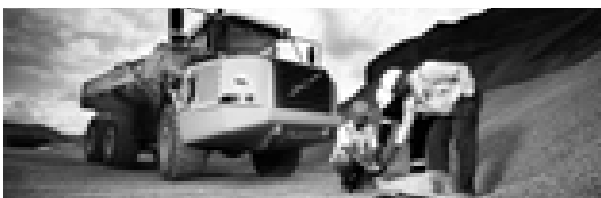


## *LEADERSHIP REPORTS 19*

Chairman's Statement

Chief Executive Officer Report

UNGC Statement of continued support



## *MATERIALITY 29*

Risk Management

Stakeholder Engagement



## *GOVERNANCE 37*

Board of Directors

Group Operational Structure

Executive Committee Members



## *OPERATIONAL REVIEW 49*

Cementitious

Construction Materials

Sales and Marketing

Human Resources

Tanga Cement Plc



# CONTENTS OF THE REPORT



## SUSTAINABILITY REVIEW 63

Afrisam Sustainability Story

People: Occupational Health & Safety

Training & Education

Economic Empowerment

Community Development

Planet: Environmental Performance



## ASSURANCE 87



## CORPORATE GOVERNANCE REPORT 75

Governance Framework

Audit, Risk & Compliance Committee Report

Social & Ethics Committee Report

Responsible Reporting



## INFORMATION 95



# SCOPE OF THIS REPORT

*This Integrated Annual Report covers the activities and performance of the AfriSam Group for the 12 month period 1 January 2014 to 31 December 2014. The report covers all of AfriSam's cementitious manufacturing facilities, aggregate quarries, readymix and slag grinding and blending operations and depots in Southern Africa and the Sub-Saharan African countries in which the company operates. Also included is information about Capital Cement Distributors, a wholly-owned subsidiary of AfriSam.*

*In addition, the report provides information on Tanga Cement Public Limited Company (TCPLC), in which AfriSam owns 66.6%. TCPLC produces cement for the Tanzanian and export markets and is listed on the Dar es Salaam Stock Exchange. The company publishes its own annual report which contains comprehensive details about its performance ([www.simbacement.co.tz](http://www.simbacement.co.tz)).*

*The purpose of this report is to provide a holistic overview of the company's financial and non-financial performance as well as provide an understanding of the company's impact across environmental, social and corporate governance systems. The integrated content should allow stakeholders to assess the ability of the company to create and sustain value over the short, medium and long term.*

*This report has been produced giving due consideration to the provisions of the Companies Act, 71 of 2008, as amended ("the Companies Act"), King III Report's Code of Corporate Practices and Conduct ("King III") including UNGC adherence and the Global Reporting Initiative (GRI) Index with the full index appearing on page 94. In line with the reporting recommendations of King III, we continue to strive towards a progressively more integrated approach to reporting.*

*The Leadership Reports on pages 19 to 28 provide reviews from the Chairman, Chief Executive Officer and Chief Financial Officer on the trading environment experienced in the past year, the challenges and mitigating actions implemented and AfriSam's performance against company strategy.*

*A number of acronyms and abbreviations are used in this report. For ease of reference a glossary appears on page 97.*





# AFRISAM BUSINESS



## VISION

To sustainably grow shareholder value and make a positive difference to all stakeholders.

## MISSION

To relentlessly pursue our passion to shape Africa and build a better society by responding to our customers' needs with superior construction material solutions.

## OUR VALUES

Success is only possible by living AfriSam's values of People, Planet and Performance, which inextricably connect all our people and business activities.

### PEOPLE

People make the difference in our business. Success is achieved through harnessing the combined passion, pride, skills and energy of all our people and directing all efforts towards our vision. We proudly work to delight our customers and stakeholders. We are passionate about what we do and we respect and encourage each other. We are committed to high levels of integrity and strive to always conduct ourselves in a professional, courteous and honest manner.

### PLANET

We are passionate in the collective cause to conserve our planet. We are driven by our commitment to operate our business in a sustainable manner and use resources in a socially responsive and deliberate way, ensuring life for future generations. We are responsible for our impact on the community and environment. We embrace our cultural heritage and we strive for a responsible and engaging approach with all our stakeholders.

### PERFORMANCE

Performance is what counts. We are uncompromising in our commitment to deliver superior performance on all fronts. We strive to be the best in everything we do, making the most of our time, energy and resources to deliver significant value to our shareholders, customers, colleagues and business partners.







# 1934 - 2014

## AN OVERVIEW OF THE BUSINESS

- 1934:** The first board meeting of Anglovaal Portland Cement Co. Ltd is convened and the company is listed on the JSE.
- 1935:** Construction of the Roodepoort Cement Factory, Gauteng.
- 1936:** Roodepoort kiln commissioned and the Union Lime Company (Ulco) is established in the Northern Cape to produce lime.
- 1937:** The company merges with Atlas Cement Company and its name changes to Anglo-Alpha Cement Ltd, acquiring a cement factory at Hennenman in the Free State.
- 1940-1944:** Operations are affected due to the Second World War. In 1944 a merger with National Portland Cement was initiated to establish the first link to Holderbank in Switzerland - the largest cement company in the world at the time.
- 1946:** A third kiln started up at the Roodepoort cement factory, doubling the factory's capacity.
- 1947:** The company acquires Kimberly Portland Cement Co. Ltd in the Western Cape and it is agreed to build a cement factory at Ulco on the limestone deposit owned by Union Lime Company.
- 1949:** Cement production starts at Ulco, and a limestone quarry at Dudfield in the North West Province is acquired. The first load of limestone is sent to Roodepoort.
- 1953:** Kiln 4 at Roodepoort is commissioned.
- 1961:** Pioneer Ready Mixed Concrete and Ready Mixed Concrete (Reef) are formed.
- 1964:** The expansion programme continues with the planning for a cement factory near Lichtenburg at Dudfield in the North West Province.
- 1966:** Dudfield Kiln 1 is commissioned in the North West Province.  
The company diversifies in products linked with the construction industry.  
Manufacturing of paper sacks commences.  
The company becomes a shareholder in Pioneer Readymix.  
Anglo-Alpha acquires Union Lime Company.
- 1972:** Dudfield Kiln 2 is commissioned.
- 1977:** Dudfield Kiln 3 is commissioned.  
Hippo Quarries becomes a wholly-owned subsidiary.
- 1980:** Company name changes to Anglo-Alpha Ltd.
- 1983:** The Natal Portland Cement Company, in which Anglo-Alpha has a 33% share, comes on stream.
- 1984:** Ulco Kiln 5 is commissioned. It is the largest of its kind in the southern hemisphere at the time.
- 1993:** Pioneer Readymix Concrete becomes a wholly-owned subsidiary.
- 1996:** The company's name changes to Alpha Limited.  
Hippo Quarries becomes Alpha Stone and Pioneer Readymix Concrete becomes Alpha Readymix.  
The company takes its first step to expand further into the African continent with the acquisition of 62.5% shareholding in Tanga Cement Company Limited in Tanzania.
- 1998:** Holcim Ltd and Aveng Ltd make a successful offer to minority shareholders. Alpha becomes a propriety company with 100% shares held by Altur Investments.
- 1999:** Main headquarters move to Constantia Office Park. There's a huge drive to focus on core business.



**2004:** Company name changes to Holcim (South Africa) (Pty) Ltd.  
The Slagment business is acquired.

**2005:** Company signs the Energy Efficiency Accord with 30 other businesses.

**2007:** Holcim Ltd initiates the sale of its stake in Holcim SA to AfriSam Consortium in an historic BEE transaction.

**2008:** Birth of a new brand, AfriSam.

**2009:** The company embarks on a significant project to restructure its capital structure – this process took three years to complete.  
The company introduces an industry first – a CO<sub>2</sub> rating stamp on all its bagged cement products.  
The installation of the Vertical Roller Mill at AfriSam's Roodepoort Cement Operation is completed, making it the most advanced cement mill in South Africa at the time. This increased this operation's milling capacity by 120 tons per hour.

**2010:** AfriSam launches another industry first – Eco Building Cement.  
AfriSam wins Nedbank award for its CO<sub>2</sub> emission reduction programme.  
AfriSam certified as a Top Employer for the first time.

**2011:** Company achieves its best safety performance since measuring this in 2006.  
The company is once again recognised for its CO<sub>2</sub> measuring and reduction initiatives by winning the Mail & Guardian 'Greening the Future Award' in June this year.  
In addition, the Slagment business is awarded the 2011 National Association for Clean Air (NACA) Award in the Mining Industry category for improved fugitive emissions.  
Launch of an exclusive private label product for the Massbuild Group, called Builders Pride General Purpose Cement.

**2012:** Financial restructuring results in the PIC and the Pembani Group taking the role of lead shareholders.  
The company re-aligns its structure to effectively support its new strategy.  
The company signs a lease agreement to construct a new cement milling plant in Coega in the Eastern Cape.  
Preparation for the construction of second kiln line at Tanga Cement Company Limited starts.  
Launch of a re-engineered cement product range and introduction of a new product, Roadstab Cement.  
AfriSam becomes the first construction materials company to sign the 49M pledge as part of the company's commitment to the global agenda for energy efficiency.  
AfriSam achieves a Level 2 B-BBEEE contributor status.

**2013:** The installation of a R90 million bag house at Ulco is completed, significantly reducing dust emissions from the Ulco stack. This wins AfriSam a clean air award from NACA.  
A sod-turning ceremony takes place to commemorate the start of the construction phase as part of the project to install a second kiln line at Tanga Cement Company.  
AfriSam introduces an economy cement, Star Cement, to the market through its wholly-owned subsidiary, Capital Cement Distributors.  
The company expands its readymix production capacity with the commissioning of new readymix plants in KwaZulu-Natal, Western Cape and Gauteng.

**2014:** AfriSam acquires and equity stake in Concrete Laser Flooring (CLF).  
The company introduces an Enterprise Development Programme and launches its Business Development Centre.  
AfriSam achieves 'Top Employer' status for a fifth consecutive year.  
Establishment of a cement depot in Port Elizabeth, Eastern Cape.  
A new Reaymix plant is established at the Jukskei Readymix operation in Gauteng.  
Cement Distributors East Africa Ltd. (CDEAL) is fully incorporated within Tanga Cement Company.



**80** *Years*  
1934 - 2014

**AfriSam**

# COMPANY OVERVIEW

## QUICK FACTS

The leading black-controlled building and construction materials group in Southern Africa with an ownership comprising of 98% Historically Disadvantaged South Africans (HDSAs)

AfriSam is the majority shareholder of Tanga Cement PLC, listed on the Tanzanian Stock Exchange, trading under its brand name, Simba Cement

Operations in South Africa, Lesotho, Swaziland and Tanzania

Employs more than 2000 permanent employees

South Africa's largest producer of aggregate and the second largest producer of cement and readymix concrete

Exports products to Botswana, Mozambique, Democratic Republic of Congo (DRC), Malawi, Rwanda and Burundi

Facilities include:

- 3 x fully integrated cement plants (2 in South Africa and 1 in Tanzania)
- 1 x cement milling plant
- 2 x blending plants (As well as 3 moth-balled plants in South Africa)
- 1 x slag grinding plant
- 43 x readymix concrete plants
- 16 x aggregate plants and a sand mine
- 21 x strategically located distribution centres in Southern Africa and Tanzania

# OUR PRODUCTS AND SERVICES

*The AfriSam Group offers an extensive suite of construction materials, consisting of cement products in bag and bulk, ground granulated blast furnace slag, varied aggregate products, readymix concrete, bulk dry mortar and premixed bagged products, as well as speciality products such as road stabilisation cement.*

## CEMENT

The high-quality cement products of the AfriSam Group have made a significant contribution to various infrastructural developments on the continent. Our cement is produced through an intricate process that is carefully designed and controlled by a team of dedicated professionals. The performance of our cement is constantly monitored to maintain the highest standards of quality and strength. The final product is used in the provision of much needed houses, schools, roads, dams and other essential facilities for local communities.

## AGGREGATE

The aggregate products are manufactured to the highest technical specifications to meet multi-purpose application needs such as asphalt and road surfacing, concrete, base and sub-base material for road layering as well as speciality aggregates including ballast and gabion stone.

## READYMIX

The readymix operations are all equipped with the latest technology computerised weight and batching systems that ensure the final concrete product meets the stringent technical specifications of the builders, developers, architects and engineers. AfriSam's concrete product manufacturing expertise is further supported by pumping services that are offered as value-added services to our customers. Our readymix operations can produce almost any concrete mix required by customers and are able to supply high-volume projects.

## SLAGMENT

Slag is a latent hydraulic binder that enhances cementitious properties and is used in concrete and other construction applications as a partial cement replacement material. AfriSam produces and offers this product under the registered trade name for Ground Granulated Blast Furnace Slag (GGBFS) or Slagment.

## PREMIXED PRODUCTS

AfriSam invests significantly in research and development and is continuously looking at ways of innovating the products and services we provide. As an example, the introduction of a premixed bagged range and bulk dry mortar was a natural extension of AfriSam's existing product offerings.

The Premix products comprise of AfriSam Concrete Mix, AfriSam Screed Mix, AfriSam Plaster Mix and AfriSam Building Mix - all are aimed at the Do-It-Yourself and Build-It-Yourself markets, and are available at retail outlets.

## ACCESS TO INDUSTRY SPECIALISTS AND TECHNICAL SUPPORT

AfriSam offers customers a Centre of Product Excellence where, in collaboration with its customers, products and solutions are developed, tested and applied, ensuring continuous improvement in the various aspects associated with construction materials.

AfriSam has a team of specialists covering the entire supply chain from mining to production and sales, supported by equally skilled and experienced functional experts in the information services, finance, human resources and environmental fields.

# OUR OPERATIONAL SITES IN AFRICA

## PRESENCE AND CAPABILITIES

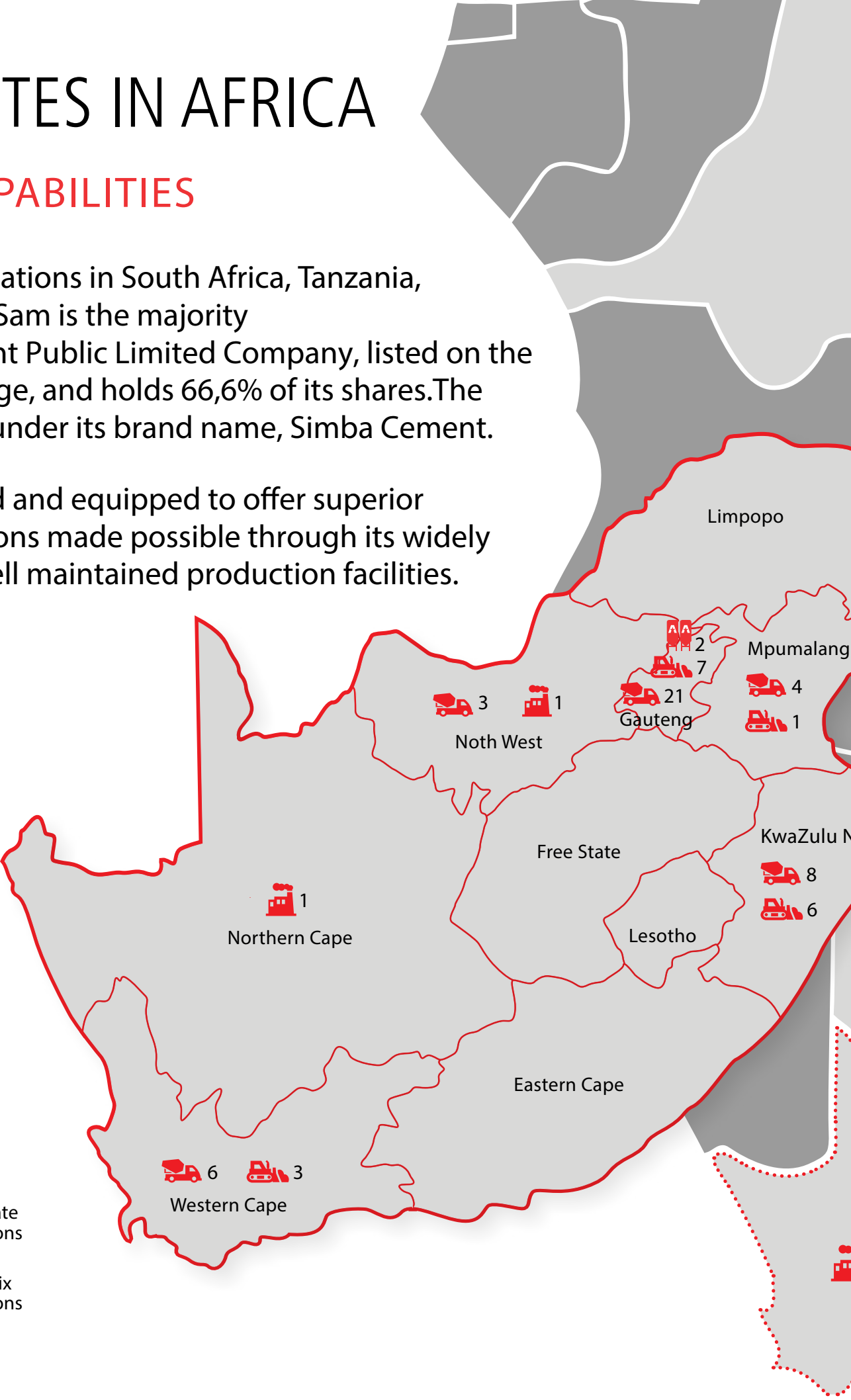
The AfriSam Group has operations in South Africa, Tanzania, Lesotho and Swaziland. AfriSam is the majority shareholder of Tanga Cement Public Limited Company, listed on the Dar es Salaam Stock Exchange, and holds 66,6% of its shares. The Tanzanian company trades under its brand name, Simba Cement.

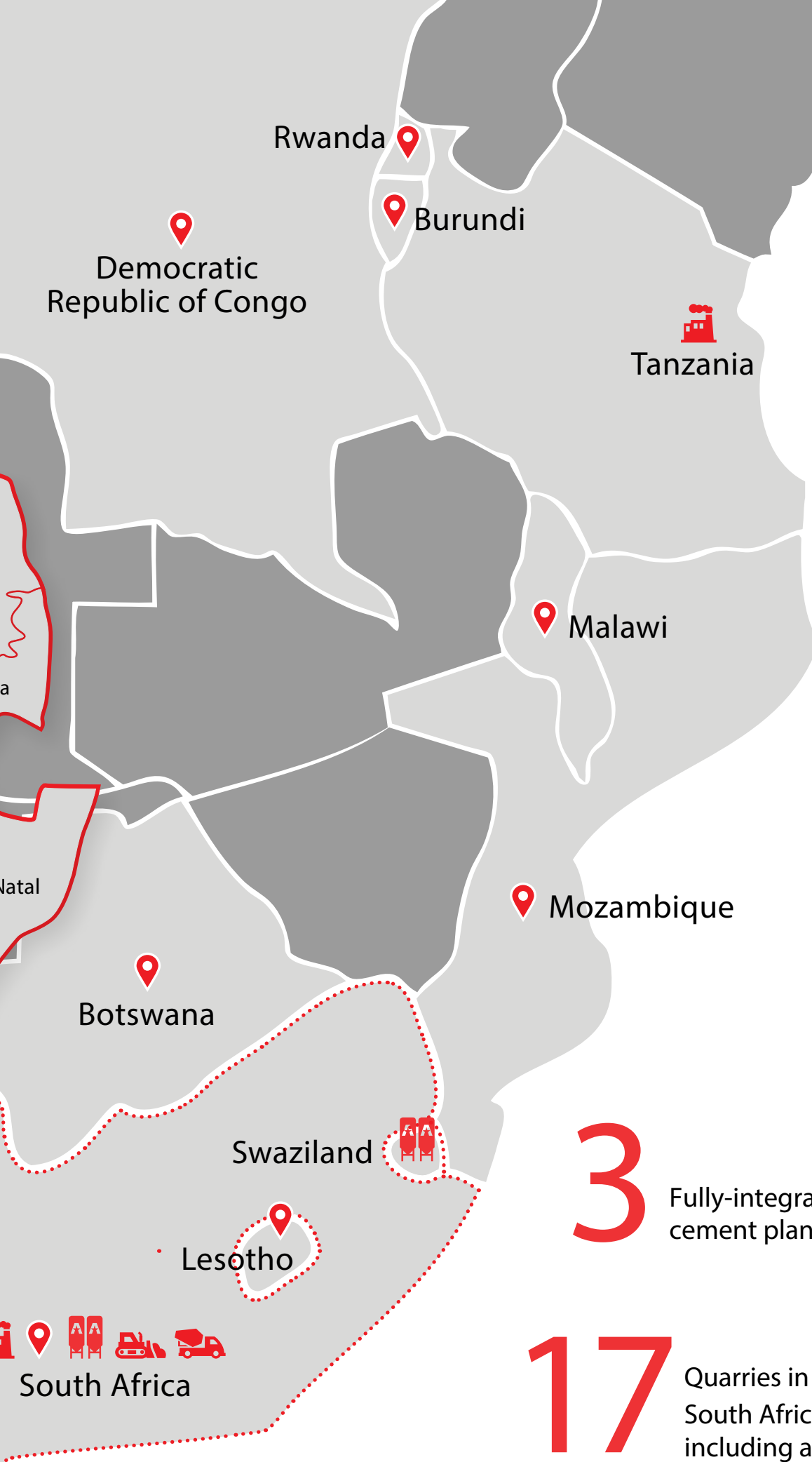
The Group is well positioned and equipped to offer superior construction material solutions made possible through its widely distributed footprint and well maintained production facilities.

### CEMENT

AfriSam is strategically positioned and connected through its fully-integrated cement plants, milling depots, blending operations and distribution centres. The fully-integrated plants have a combined cement-producing capacity of over 5 million tons per annum. The capacity will increase to more than 6 million tons of cement per year, post the commissioning of a second clinker production unit at the production facility of Tanga Cement Company.

-  Fully-integrated cement plants
-  Aggregate Operations
-  Trading Positions
-  Readymix Operations
-  Cement Milling & Blending plants





### DISTRIBUTION

The Tanzanian operation has ten strategically located cement distribution centres throughout Tanzania, Burundi and Rwanda, and exports to Malawi.

The South African footprint is supported by cement distribution centres in Botswana and Lesotho, as well as an integrated blending, packing and distribution operation in Swaziland. Cement is exported to Mozambique and the Democratic Republic of Congo (DRC).

### FACILITIES

The South African fully-integrated cement plants are linked by a well-established road and rail transport network to:

- A modern vertical roller mill operation and blending plant in Roodepoort, Gauteng, and blending operations in Vanderbijlpark, Brakpan and Swaziland.
- A slag grinding plant with a slag milling capacity exceeding 800 000 tons per annum.
- 11 strategically-located cement distribution centres across South Africa and Lesotho.

### AGGREGATES & READYMIX

The cement operations are strongly augmented by well-established aggregate and readymix operations located in all major growth nodes. There are presently 43 readymix operations, capable of delivering more than 2 million cubic metres of readymix concrete annually, and 16 aggregate quarries and a sand mine producing over 10 million tons of aggregate.

3 Fully-integrated cement plants

17 Quarries in South Africa including a sand mine

43 Readymix operations in South Africa

# SHAREHOLDERS

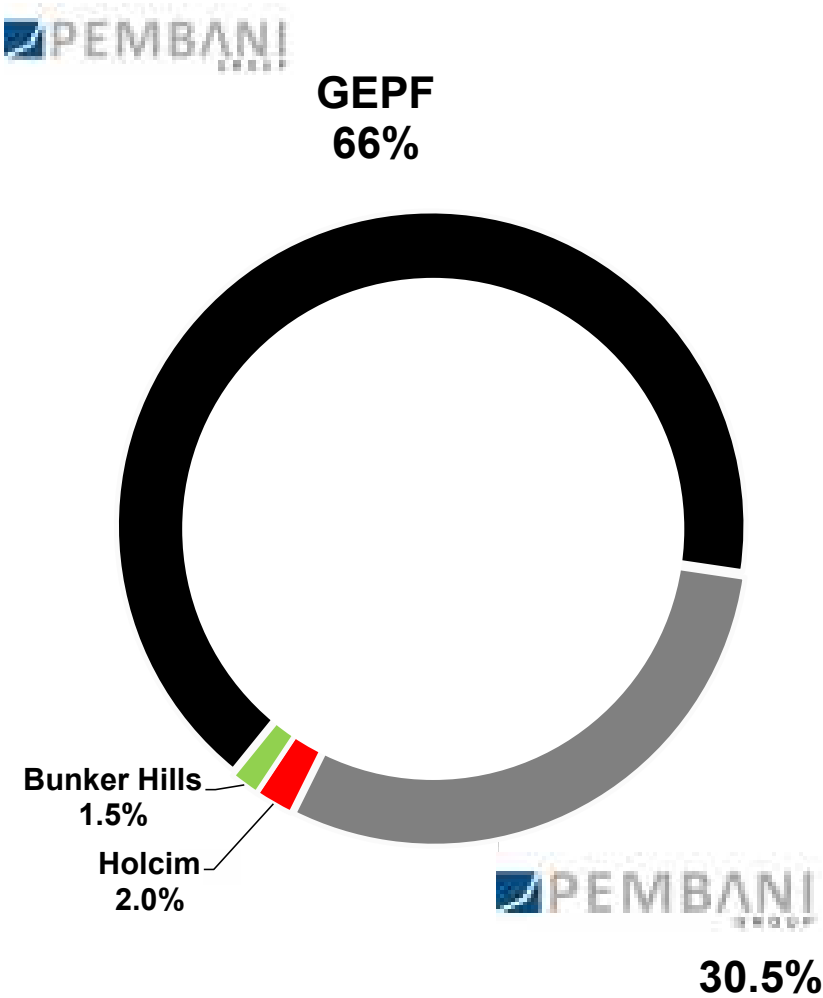
AfriSam’s majority shareholders are:

Government Employee Pension Fund (GEPF) represented by the Public Investment Corporation (PIC)

- Established in 1911, the Public Investment Corporation SOC Limited (PIC) is one of the largest investment managers in Africa today, managing assets of over R1.6 trillion.
- The PIC, a registered financial services provider, is wholly-owned by the South African Government, with the Minister of Finance as shareholder representative.
- The PIC invests funds on behalf of public sector entities, based on investment mandates set by each of these clients and approved by the Financial Services Board (FSB).

Pembani Group

- Pembani Group (Pty) Ltd was founded in 1994 and is based in Sandton, South Africa.
- Pembani Group (Pty) Ltd is a black-controlled Pan African Group which holds investments in four key platforms of Mining, Power, Energy and Infrastructure.





80<sup>Years</sup>  
1934 - 2014


**AfriSam**

# LEADERSHIP REPORTS

The image features a large, modern building with a glass and concrete facade. A large red semi-circular graphic is overlaid on the left side of the image, partially obscuring the building and the sky. The building has a sign that reads "ALEXANDER FORBES" with a logo above it. The sky is a solid red color. The building is surrounded by trees and a parking lot.

  
**ALEXANDER FORBES**





*// AfriSam supplied approximately 43 000m<sup>3</sup> of Readymix concrete for the 'Green Star' rated headquarters of Alexander Forbes in Sandton, Gauteng. //*

*This building was recognised as the 2014 AfriSam - SAIA Awards winner in the sustainable design category*

# CHAIRMAN’S STATEMENT

## Acknowledgement

On 4 July 2014, the AfriSam Group reached a historical and significant milestone with the celebration of its 80<sup>th</sup> anniversary.

When it was founded as Anglovaal Portland Cement Company Limited in 1934, the founders must have had great aspirations for the company and the cement industry in South Africa. I am sure that they would be extremely proud to know that 80 years later AfriSam has grown into a formidable company and a leading supplier of construction materials in Africa.

Over a period of eight decades, AfriSam and its employees have actively contributed towards the socio-economic development of the Southern African region as well as East Africa through its shareholding in Tanga Cement Public Limited Company since 1996. For 80 years, the AfriSam Group has been making a difference and creating possibilities through the countless roads, bridges, dams, schools, hospitals, universities, shopping centres, places of business and homes its products have been used to build.

On behalf of the Board of Directors, I would like to use this opportunity to thank the Members of the Executive Committee and employees for their continued commitment and loyalty to AfriSam. They have, and will continue to be, the heartbeat of this great company.

We look forward to more significant achievements AfriSam will achieve in the decades ahead.

## Sustainable long-term performance strategy

The AfriSam Group achieved a good operational performance taking into consideration the challenging market conditions that prevailed during 2014 and, achieved key milestones in executing the company’s strategy in pursuit of Vision 2020.

However, the continuing deterioration in the operating and business environment in South Africa, particularly over the three previous years, is a cause for concern.

The Board has confidence in the strategy the Executive Management has developed to ensure the future growth and sustainability of AfriSam.

## Strategic Objectives

The AfriSam strategic objectives remain to:

- Strengthen existing operations and defend the company’s current market position through a robust and continuous focus on increasing operational excellence and overall business efficiencies. In addition to capturing additional market value by executing improved sales and marketing initiatives to deliver a significant performance step change.
- Grow the value of the business through complementary investments with good strategic fit (both upstream and downstream) to enhance AfriSam’s vertical integration advantage as well as increase cost competitiveness. In addition, aggressively target new cement growth opportunities within the African continent to diversify and reduce exposure to slow to moderate growth areas.

## Strategic Intent

The Board is committed to building a firm foundation which will enable the growth of the company for many years to come.

- Deliver all project milestones which have been agreed to by the Board.

While market conditions are challenging, economic analysis continue to poise Africa as the greatest global growth opportunity. This being the case, AfriSam is well positioned and working hard to take advantage of these growth opportunities, as the company’s growth strategy is firmly based on serving African growth markets. Current operations are well represented on the continent, and management is actively investigating and pursuing new opportunities.

## Governance

The AfriSam Board of Directors is committed to ensuring that the AfriSam Group is governed in line with the relevant legislative and regulatory requirements and to the highest ethical standards. All the Directors remained in office during 2014.

During 2014, the Board of Directors reviewed the application of the Governance Principles as recommended by the King III Report. The King III Report has 75 Corporate Governance Principles and AfriSam achieved a compliance rating of 96%. Taking into consideration that the company is not a public company or a listed entity, achieving 96% compliance with the King III Code of Good Corporate Governance Principles is an outstanding achievement.

During the year under review, the Board identified two Governance priorities, over and above general regulatory compliance, and we are pleased with the progress achieved to date:

- **The Protection of Personal Information Act (PoPI)**  
The Protection of Personal Information Act (PoPI) was promulgated in 2013 but the effective date is still to be announced. Companies will be given one year to comply from effective date. A PoPI Implementation Team comprising selected employees from the affected business areas has been established and an implementation project plan has been compiled. Awareness training has been provided to ensure that all Executives and Senior Management are aware of the implications and impact of PoPI on AfriSam and the data processed in the course of its business operations and activities.
- **Ethics Management**  
The effectiveness of Ethics Management within the company was measured in order to establish a reference point. A business ethics survey was conducted amongst the Executive and Senior Managers of the company. After analysing the results, various action plans have been put in place and are being implemented accordingly.

## Transformation

The Board recognises that transformation plays a crucial role in the South African business landscape through which it is intended to create an equitable society in which all individuals have equal opportunities. As such, the Board is committed to complying with all aspects of the Broad-Based Black Economic Empowerment Act. To this end, the Board is pleased to announce that the company has maintained its Broad-Based Black Economic Empowerment rating, as a Level 2 Contributor for the fourth consecutive year. While recognising that AfriSam achieved a good rating, the Board and Management continue to explore opportunities for improvement.

Conclusion

Finally, I would like to express my sincere appreciation to all who have worked so tirelessly towards achieving a positive financial result for the company. Given the challenging market conditions, the Board recognises that this achievement was only possible through the extraordinary efforts of a committed workforce. On behalf of the Board, I therefore thank all stakeholders of the company for their commitment and mutually beneficial partnerships.



**Phuthuma Nhleko**  
*Chairman of the Board*

# CHIEF EXECUTIVE OFFICER REPORT

## Introduction

During 2014 AfriSam continued with the execution of our mission to 'shape Africa and build a better society by responding to our customers' needs with superior construction material solutions'. Despite extremely challenging market conditions that have negatively impacted the company's ability to meet its expected financial performance, we remain a formidable company committed to delivering shareholder value whilst actively contributing towards the socio-economic development of our continent and its people.

## Operating Environment

Having experienced a sluggish economic performance since 2008 – even though 2009 and 2010 were boosted slightly by the 2010 Soccer World Cup tournament hosted in South Africa – the past 12 months have once more challenged companies such as AfriSam to respond to a declining market demand, subdued sales volumes, stagnant prices and new competition in already saturated markets.

The operating environment of our existing businesses, both in Southern Africa (including Swaziland, Lesotho and Botswana) and Tanzania, has become increasingly challenging. The entrance of new competitors and continued 'dumping' of low priced imports led to more aggressive pricing by industry players as the battle to either maintain or gain new market share increased.

The lower than projected world economic growth, and more specifically the low GDP growth in South Africa, influenced consumer spending and investment decisions by the private sector, whilst governments seem to be forced into tight fiscal positions which adversely impacted on infrastructure spend.

The prolonged labour unrest in the mining sector during the second quarter of 2014 and the economy's inability to quickly recover from this incident added pressure on the business. As this strike dented investor confidence, leading to little foreign and local investment, the construction sector felt most of the impact and registered limited growth.

The delayed implementation of the South African Government's Infrastructure Development plan, which was expected to kick start the local industrial and manufacturing sectors, has had a negative impact on cement, other construction materials and construction companies as a whole.

During the year under review, AfriSam experienced increased competition in local markets, which negatively impacted on our market share due to aggressive pricing by the other industry players. Under the current economic conditions, consumers are shopping for best-value products and we expect the construction materials market to be very competitive over the next few years.

The significant decline in sales volumes achieved in the Southern African markets has placed immense pressure on the company's ability to absorb fixed costs.

In addition to the lower than anticipated sales volumes and downward pressure on prices, the production costs of our Southern African operations have been slightly worse than expected, which also impacted on the company's profitability and was exacerbated by higher than budgeted production costs – mainly due to higher input costs.

However, we are confident that AfriSam's differentiated product offering, based on value-delivery, will provide us with a competitive advantage in retaining our current customers and acquiring new customers.

In this tough trading environment the business will use every opportunity to focus on areas where we can improve efficiencies in order to improve profitability. A number of initiatives were implemented during 2014 and some are starting to bear fruit, whilst others are of a long-term nature.

There has been a significant increase in volumes of imported cement into South Africa over the past three years. To protect the local

industry AfriSam, together with other major cement manufacturers, lodged an anti-dumping application with the International Trade Administration Commission of South Africa (ITAC). The application contends that bagged Portland cement from Pakistan is being dumped in the Southern African Customs Union (SACU) market, causing material injury to the SACU industry concerned. The allegation of dumping is based on a comparison between the normal value of Portland cement in Pakistan and the export price from Pakistan, with the dumping margin having been found to be 48%. Given that ITAC's preliminary findings did merit a full investigation into the allegations of dumping, we are hopeful for a positive outcome in this regard.

Our Tanzanian business – Tanga Cement PLC (TCPLC) – had a much better trading environment, despite new entrants into its market and the downward pressure this placed on local prices. Despite the Tanzanian demand being robust, increased imports and new entrants into local markets hampered TCPLC's sales volume growth. The establishment of a second kiln line at TCPLC is progressing well and we are on track to more than double this operation's clinker production capacity by the end of 2015. This will lead to significant reduction in cost for this operation as clinker is currently imported at a higher cost.

Going forward, TCPLC's focus is on delivering value to our customers to ensure we retain customers and gain new customers in the Tanzanian market. The incorporation of Cement Distributors East Africa Limited (CDEAL) into TCPLC will assist in optimising sales and distribution channels and improve access to our customers, which will have a positive impact on customer relations and customer value management.



**Stephan Olivier**  
*Chief Executive Officer*

# Five key strategic focus areas during 2014

1. A robust and continuous focus to increase operational excellence and overall business efficiencies
2. Differentiate through a unique and remarkable customer experience, unlocking value for our customers through world-class customer relationship management (CRM) processes, systems and practices
3. Maintain our Employer of Choice status and attract, retain and develop the right people to drive our business forward
4. Manage and execute Group strategic projects on time and within budget
5. Invest in African businesses that have a good strategic fit and will grow business value



## Strategic Position

Despite the tough trading conditions, we remain confident that our strategic choices will ensure a sustainable and growing business. These choices are:

- Strengthening existing operations to defend current market position through a robust and continuous focus to increase operational excellence and overall business efficiencies.
- Capturing additional market value by executing improved sales and marketing initiatives to deliver a significant performance step change.
- Growing the value of the business through investments by targeting complementary investments with good strategic fit (both upstream and downstream) to enhance our vertical integration advantage as well as increase cost competitiveness.
- AfriSam will continue its aggressive programme in identifying new target growth opportunities within the African continent to diversify and reduce exposure to slow to moderate growth areas.

## Growth Strategy

During 2014, we continued our growth plans with the establishment of a new cement distribution depot in Port Elizabeth as a precursor to the establishment of a cement milling and blending operation in that region.

In the Western Cape, the plans to establish a fully-integrated cement plant in Saldanha are progressing according to plan. This plant is only expected to be fully operational in 2019.

We finalised the acquisition of an equity stake in Concrete Laser Flooring (CLF) as a downstream investment. CLF offers concrete flooring technology, specialist products and qualified supervision that combine to produce high quality concrete floors and complements AfriSam's product offering.

In the past year, we increased the number of container retail outlets to 50, extending our footprint and the accessibility of our cement products into rural and other previously underserved areas.

Star Cement Limited. Star Cement enables AfriSam to take advantage of the opportunities presented in the growing economy cement market, a market AfriSam did not previously have a presence in.

This business has gained positive traction during 2014 and has expanded its sales footprint to include all regions of South Africa.

AfriSam continues to review and investigate a number of possible acquisitions in other African countries. We are cautious that the investment and growth opportunities pursued are sustainable and will positively contribute towards our long-term growth ambitions. Exports to countries such as Mozambique, Rwanda, Burundi and DRC are doing well and we recently established a company in South Sudan and Uganda.

Our milling capacity in Tanzania will be increased in the next few years following the TCPLC’s Board approval to construct an additional milling facility at Arusha in northern Tanzania. Construction of a second kiln line at a total investment cost of US\$ 152 million is progressing well and the plant will come on line during Q4 of 2015.

As a vertically integrated construction materials company, we continue to investigate complimentary upstream and downstream investment opportunities in South Africa.

### Customer Focus

Customer Value Management is the foundation of our strategy of unlocking value for our customers. Our operations remain aligned and focused on consistently delivering superior products and services based on differentiated customer value propositions.

With the growing supplier and manufacturer interest in our markets, customer satisfaction has been identified as one of the critical differentiating factors for AfriSam.

We established a single selling organisation during 2013 and 2014 detailed attention was given to new systems and processes to improve our interaction with our customers. AfriSam will ensure that we always deliver on our promise to customers.

### Employees

Our employees are the backbone of the organisation and their safety and wellbeing is our priority. We continue to provide employees with a work environment where they can actively contribute towards the success of the company by applying acquired skills and knowledge through the company’s personal development programmes.

For the fifth consecutive year, AfriSam has been certified as a Top Employer by the Top Employers Institute based on researched international best practice Human Resources policies and procedures. We are proud that we remain an Employer of Choice to current and future employees.

On the safety front, the Group is extremely saddened to report a fatality of an employee at TCPLC. The incident was investigated and corrective measures were implemented to prevent such an incident from recurring.

We have seen a slight worsening of the Group’s Total Recordable Injury Frequency Rate (TRIFR). Although still better than the target, we are concerned and have renewed our focus to deliver on our ultimate goal of ‘Zero Harm to People’.

### Environment

AfriSam is committed to the conservation of our planet for future generations. This is ingrained in our business activities and manufacturing processes. We actively strive to responsibly reduce the clinker content in our cement products and minimise the impact on the environment. This year we have achieved our targeted levels in terms of reducing the clinker content in our cement.

We are implementing significant energy saving and consumption reduction programmes to mitigate the impact the impending implementation of Carbon Tax will have on the company when introduced. We introduced a sustainability roadmap and we are working towards achieving the set targets.

We are making good progress on the use of alternative fuel resources (AFR) as part of the manufacturing process. Both our Ulco and Dudfield cement operations have obtained approval to make use of AFRs in the cement manufacturing process.

Once completed, the approved waste heat recovery project at Ulco, whereby waste heat is converted into electricity, will contribute towards reducing energy consumption at this operation.

### Community Involvement

AfriSam is committed to investing in local communities as part of our recognition of the role these communities play in our business success. We invest in communities surrounding our operations to ensure their sustainable upliftment and a brighter future.

One of the key developments in the past year was the establishment of a Supplier Development Programme and the launch of a Business Development Centre to empower Small, Medium and Micro Enterprises (SMMEs). Supplier Development Programmes have been initiated in Gauteng and the North West provinces. The Business Development Centre is located on a property adjacent to our Roodepoort cement factory, where entrepreneurs are provided with business training as part of a two-year part-time programme, including training at tertiary institutions. We will explore the possibility of establishing regional centres in areas where our operations are located.

### Vision 2020

We are well aware that our Vision 2020 journey will not always be smooth sailing and that we will experience ups and downs along the way. 2014 was a particularly challenging year during which AfriSam faced challenging marketing conditions, resulting in a slight set-back in achieving our interim targets. With a renewed focus on efficiencies and effectiveness, and making sure that all our activities contribute towards the achievement of our strategy, the company is still on track to meet its Vision 2020 objectives.



# UNGC STATEMENT OF CONTINUED SUPPORT

October 2015

To our stakeholders,

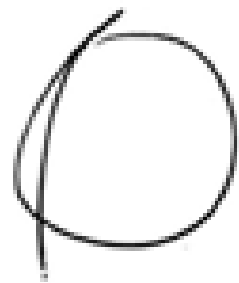
I am proud to confirm that AfriSam (South Africa) (Pty) Ltd pledges its continued commitment to uphold the 10 Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

AfriSam strives to conduct its business activities in such a manner that contributes to the sustainable development of Africa and its people. As such, we ensure the integration of the Principles in our business strategy, culture and daily operations.

In this report, we summarise the progress we have achieved in 2014 against these principles and strive to report continuous progress in future.

We look forward to continuing our relationship with the South African Local Network.

Yours faithfully,



Stephan Olivier  
Chief Executive Officer  
AfriSam (South Africa) (Pty) Ltd



**Stephan Olivier**  
Chief Executive Officer







# MATERIALITY



# RISK MANAGEMENT

## Enterprise Risk Management

AfriSam's Enterprise Risk Management (ERM) process contains both top down and bottom up elements. This process is facilitated by the Strategy and Risk department in consultation with the entire business. The Board of Directors and its committees reiterate that strategy, risk, performance and sustainability go hand-in-hand, tend to be dynamic in nature and that all these components have to be considered during the strategy formulation and performance review meetings.

The risk management policy and framework aims to ensure a common and systematic risk management operating standard in accordance with international best practices across all operational activities within the Group. This ensures appropriate management of risks, enhances sound corporate governance and effects regulatory compliance, strategic management, leadership efficiency and performance.

Emerging risks form part of the relationship between the external environment and the company, and AfriSam regularly reviews these risks. These risks have a wider systemic impact and are linked to significant long-term trends. They include (but are not limited to): South African economic development, market volatility, regulatory compliance, commodity price volatility, under-investment in production innovation and infrastructure, corporate social responsibility and human capital management.

Apart from oversight by specialist divisions on inherent economic, regulatory and market risks, the risk register also indicates strategic and operational risks from increased competition (new market entrants), loss of customers or increased price sensitivity of customers, talent management, potential supply chain failures, etc.

AfriSam maintains a materiality summary which internalises these risks and ensures a focus for management in terms of monitoring and reporting on all mitigation efforts and establishing correct control measures.

## Business Continuity Management

AfriSam embarked on a journey to formalise and enhance the Business Continuity Management (BCM) process within the business in 2014. A framework helps to identify the risk of exposure to internal and external threats, focusing on critical business process disruptions. The goal of BCM is to develop and implement plans to effectively respond to "100 year" threats such as natural disasters. Six critical disruption events were defined for which business continuity plans (BCPs) were developed.

A project implementation plan was approved and implementation commenced in 2014. A formal policy was developed, approved and published. Standardised templates, communication plans and terminology (incl. Lexicon) were developed and the supporting systems and processes to manage BCM are being considered. Business Impact Risk Assessments (BIRAs) for Shared Services Centre (SSC) and Roodepoort plant were completed and reviewed for critical functions / processes and events. The Information Technology Disaster Recovery Plan exercise was completed in July 2014 and tested three of the six critical disruption events.

Business Continuity Management (BCM) (and the mechanisms that facilitate the continued operation of critical company processes in the event of a disaster) will be significantly enhanced in 2015.

The Business Continuity Plans also specifically provide the 'owners' of certain business functions with an agreed understanding of how to:

- keep the business running during and following a disruption;
- minimise the impact so normal service can be resumed quickly, ensuring key services and products are still delivered.





80<sup>Years</sup>  
1934 - 2014

**AfriSam**

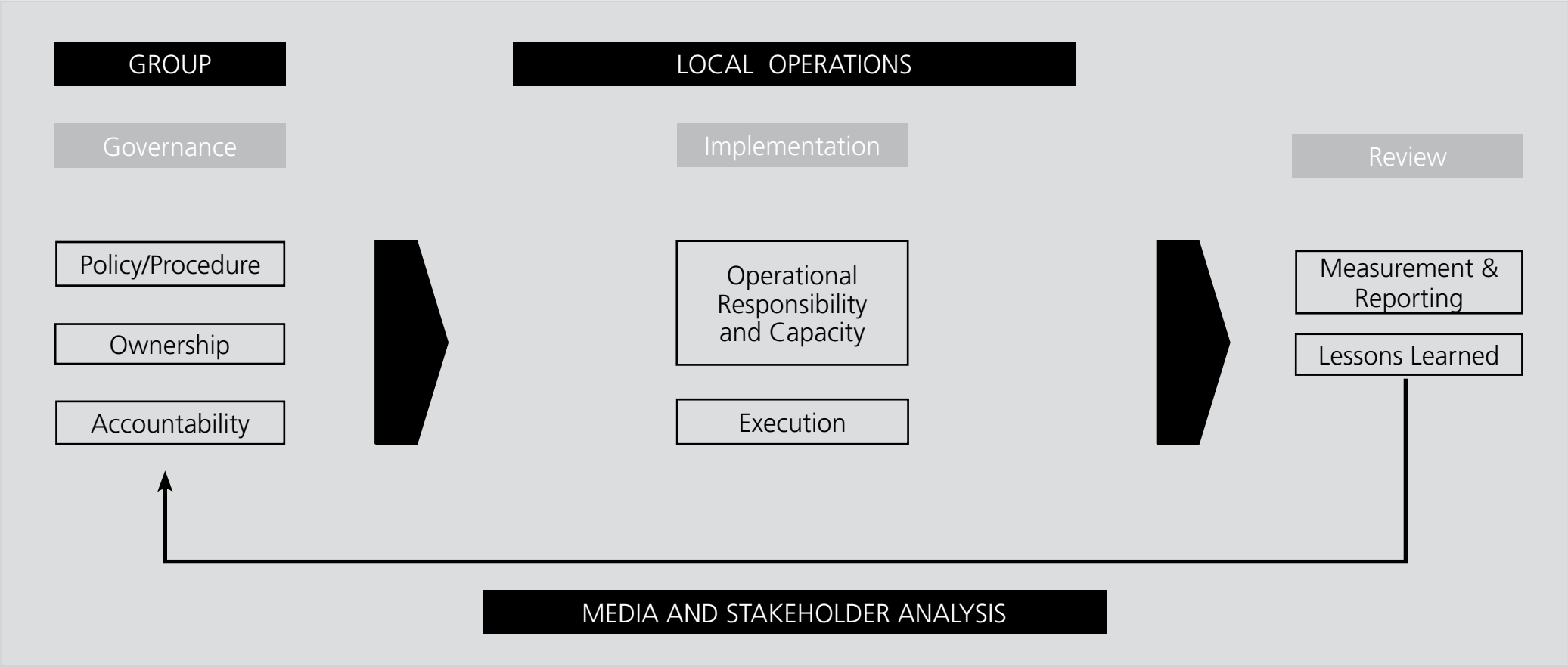
# STAKEHOLDER ENGAGEMENT FRAMEWORK

*AfriSam is committed to foster healthy relationships with its various stakeholders through proactive engagement to ensure that the company understands and addresses key issues and concerns.*

*Stakeholder engagement within AfriSam has the following objectives:*

- 1. *To earn the trust and respect of our stakeholders*
- 2. *To build and protect the company's reputation and brand*
- 3. *To safeguard the company's license to operate*
- 4. *To support the company's vision and enable the execution of its strategy*

*This Framework has been developed as a common minimum standard. Local operations are responsible for following the process and reporting accordingly. Support functions of the AfriSam Group will support implementation of the Framework across its operations where appropriate, consolidate results and report progress internally and externally.*





Source: RobescoSAM

AfriSam’s Corporate Communication function captures Group-wide stakeholder engagement data as part of its annual corporate reporting data collection process. This is done by obtaining feedback from internal stakeholder relationship owners on a quarterly basis regarding stakeholders identified, issues and concerns identified as well as stakeholder engagement activities that have taken place. Group-wide results are shared bi-annually with the relevant internal teams to help leverage best practices and lessons learned. Bi-annually, stakeholder engagement activities from across the Group will be reviewed by the Social and Ethics Committee of the Board of Directors and will be reported on annually in the company’s Annual Integrated Report.

Below are key stakeholders identified for the sustainability of our company, the issues identified and our engagements methods to ensure healthy relations.

Our Stakeholders	Stakeholder Issues	Actions taken
Employees	<ul style="list-style-type: none"><li>Employee benefits, including salaries</li><li>Company stability and performance</li><li>Safe work environment</li><li>Work-life balance</li><li>Fair HR practices</li><li>Understanding transformation strategy and plans</li><li>Individual performance and development</li><li>Organisational Climate</li><li>Job security</li></ul>	<ul style="list-style-type: none"><li>Ongoing dialogue with employees through AfriSam’s formal HR practices such as performance review discussions, individual feedback discussions as well as personal discussions</li><li>Total Guaranteed Packages reviewed and salary increases implemented</li><li>Primary healthcare plan was made available to employees H1 – H6</li><li>Qualifying employees received individual performance bonuses</li><li>Implementation of the AfriSam Recognition Awards in 2014, with the first winners acknowledged</li><li>Annual Employee Climate survey, conducted and plans developed for identified improvement areas</li><li>Ongoing dialogue with employees about diversity and inclusivity</li><li>Employee concerns raised following the announcement of the proposed merger with PPC addressed through various communication channels</li></ul>
Unions	<ul style="list-style-type: none"><li>Job security</li><li>Company stability and performance</li><li>Good work environment</li><li>Protection of union member rights</li><li>Outsourcing</li><li>Decent wages and benefits</li></ul>	<ul style="list-style-type: none"><li>Negotiated annual salary and benefit adjustments</li><li>Continued with communication approaches to build on positive relationships</li></ul>
Shareholders	<ul style="list-style-type: none"><li>Return on investment</li><li>Company stability and growth</li><li>Company reputation</li></ul>	<ul style="list-style-type: none"><li>Deliver a return on investment and creating a long-term sustainable business</li></ul>
Customers	<ul style="list-style-type: none"><li>High product quality</li><li>Competitive price</li><li>Good service</li><li>Product availability</li><li>Security and consistency of supply</li><li>Partner of choice</li></ul>	<ul style="list-style-type: none"><li>AfriSam communicated price increases in advance.</li><li>Centre of Product Excellence and Product Technology Managers (Construction Materials) provided customers with technical advice, after sale support as well as addressed any quality complaints.</li><li>Improved cross-collaboration between sales and operations ensured product availability to customers.</li><li>Realignment of the sales organisation enhanced customer experience</li><li>Entrenched and maximised usage of CRM.</li><li>Improvement opportunities from the Voice of Customer survey implemented.</li><li>Introduction of the ‘Customer Experience Index’ in 2014 to measure customer experience across all touch points.</li></ul>
National, Provincial and Local Government and Regulatory bodies	<ul style="list-style-type: none"><li>Job creation</li><li>Health and Safety</li><li>Legislation compliance</li><li>Housing and infrastructure development</li><li>Community upliftment</li><li>Environmental compliance</li><li>District economic growth</li><li>Social and Labour plan implementation</li><li>Mining Charter Scorecard</li></ul>	<ul style="list-style-type: none"><li>Financial provision made for quarry rehabilitation</li><li>Mitigated the financial and operational impact of revised legislation regarding temporary employees on the company and its current flexible workforce</li><li>Adhered to improvement commitments following audits</li><li>Ensured pro-active compliance to revised legislation</li><li>Execution of community upliftment projects</li><li>Enterprise Development and Supplier Development programme introduced</li></ul>
Local communities	<ul style="list-style-type: none"><li>Job creation</li><li>Health and Safety</li><li>Community upliftment</li><li>Environmental impact of operations</li></ul>	<ul style="list-style-type: none"><li>Roll-out of the Enterprise Development Programme to other regions</li><li>Responded to request for information as well as issues / complaints raised by community members</li><li>Implementation of CSR projects</li></ul>
Suppliers	<ul style="list-style-type: none"><li>Company stability and performance</li><li>Company credit record</li><li>Health and Safety of Contractors</li></ul>	<ul style="list-style-type: none"><li>Expanded the Supplier Development Programme to other regions within South Africa</li><li>Maintained positive relationships with suppliers</li><li>Hosted the AfriSam Supplier Awards</li></ul>
Media	<ul style="list-style-type: none"><li>Press Releases</li><li>Interviews</li><li>Meetings</li></ul>	<ul style="list-style-type: none"><li>AfriSam has a media engagement plan in place and held specific media interventions where required</li></ul>



AfriSam identify key stakeholders based on the following criteria:

- Responsibility - stakeholders to whom AfriSam and its operations has, or in the future may have, legal, financial and operational responsibilities in the form of regulations, contracts, policies, or codes of practice.
- Influence - stakeholders with influence or decision-making power.
- Proximity - stakeholders that AfriSam and its operations interact with most including internal stakeholders, those with long-standing relationships and those stakeholders that AfriSam and its operations depend on in its day-to-day operations.
- Dependency - stakeholders indirectly or directly dependent on our operations and activities in economic or financial terms, or in terms of local or regional infrastructure.
- Representation - stakeholders who, (through regulation, custom, or culture), can legitimately claim to represent a constituency, including those representing the “voiceless” (e.g. the environment, children, future generations).
- Policy and Strategic Intent - stakeholders addressed in policy and value statements, including those who can give early warning about emerging issues and risks.





# GOVERNANCE



# COMPANY LEADERSHIP

AfriSam is led by a highly experienced Executive Management team, with over a century of collective experience across a number of industries. This team is supported by a competent Board of Directors, with extensive knowledge and experience from varied sectors.



**Phuthuma Nhleko: Chairman**  
BSc (Civil Eng), MBA (Finance)

Mr Phuthuma Nhleko is the Executive Chairman of Pembani Group. He began his career as a civil engineer in the United States, after which he worked as a project manager for infrastructure developments in Southern Africa. Mr Nhleko then progressed to the position of Senior Executive of the Standard Corporate and Merchant Bank in South Africa. He later held a succession of directorships before joining MTN Group – a Pan-African and Middle Eastern telephony group – as Group President and Chief Executive of MTN Group Limited effective 1 July 2002 to 30 March 2011. He is currently the Chairman of MTN Group Ltd.



**Jan Strydom: Deputy Chairman**  
MCom (Acc), CA(SA)

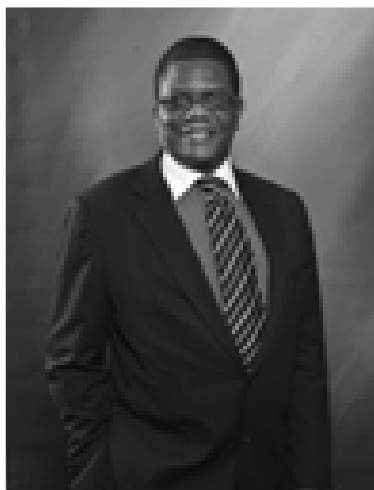
Mr Jan Strydom is a founding partner of Strydoms Incorporated Chartered Accountants (SA) – a firm specialising in business valuations, litigation support and forensic investigations. He is a senior member of the Special Income Tax Court for taxation appeals. Mr Strydom is a Non-Executive Director of various companies within the MTN Group Ltd. He previously served as an Independent Non-Executive Director on the Board of the Public Investment Corporation (PIC) as well as Chairman of the PIC's Investment Committee.

# BOARD OF DIRECTORS



**Fatima Jakoet: Non-Executive Director**  
BSc, CA (SA)

Ms Fatima Jakoet is currently self-employed and manages her own investments. She was previously General Manager at Denel (Pty) Limited. Prior to this position she held various positions within the Eskom Group, culminating in the position of General Manager for Telecommunications within the Eskom Group. Ms Jakoet started her career at Moores Rowland Auditing Firm in Cape Town as an Article Clerk. She progressed to Audit Manager before joining the University of Western Cape as a Senior Lecturer of Financial Accounting in 1988 – a position she held for seven years. She sits on a number of Boards, including MTN West and Central Africa (WECA) Region, MMI Holdings, Clicks Group, Tongaat Hulett and Rand Refinery.



**Jeff Molobela: Non-Executive Director**  
BSc Hons (Engineering), MBA

Mr Jeff Molobela has extensive experience in the financial services sector. He has conducted mineral-related research in Europe and America and has managed a number of large engineering projects as Project Director. Mr Molobela has worked as a Senior Analyst for stock broking firms on the JSE and has also worked as a financial consultant on a number of finance-type projects. He has consulted for DENEL and ARMSCOR – South Africa’s state-owned defence procurement and manufacturing companies. Mr Molobela was involved in the listing of Primegro Properties Limited in 1999 and CBS Properties Limited in 2005. He serves on a number of Boards, including SA Corp Ltd, Zimele Investment Enterprise Company and N3TC Limited, the South African Bureau of Standards (SABS) and Zinhle Enterprises (Pty) Ltd.

# BOARD OF DIRECTORS



**Ernest Nesane: Non-Executive Director**  
LLB

Mr Ernest Nesane is the Executive Head: Legal Counsel Governance and Compliance for the Public Investment Corporation (PIC). Previous positions held include Legal Associate in the Isibaya Fund of the PIC, Corporate Lawyer as well as a Professional Attorney with Rooth and Wessels Inc. He is a member of the Law Society of the Northern Provinces and serves on a number of Boards, including VBS Mutual Bank, Eduloon (Pty) Ltd and AfriSam.

**Trevor Wagner: Non-Executive Director**  
CA (SA), MBL

Mr Trevor Wagner is currently retired but serves on a number of Boards as a Non-Executive Director, including Tanga Cement Company Limited and Xuba Polymer Industries. He was previously Group Financial Director of the Alpha Cement Group, which subsequently became AfriSam Holdings (Pty) Ltd, where he spearheaded a management buy-out of Alpha's Industrial Division. Mr Wagner was a shareholder and Deputy CEO of the Group, responsible for finance, administration, human resources and business strategy. Prior to this, he held a number of positions in the Alpha Cement Group. He started his career as an Audit Manager at PriceWaterhouseCoopers. Mr Wagner is the past Chairman of SAICA's Northern Region and a past member of SAICA's National Board. He also serves as Chairman of Idwala Provident Fund and as Trustee of Trecar Trust.



**Rob Wessels: Non-Executive Director**  
BCom, LLB, CFA Charterholder

Mr Rob Wessels is an Executive Director at Pembani Group. He was previously Head of Advisory and, prior to that, the Head of Corporate Finance at Nedbank Capital. Mr Wessels started his career as a corporate attorney at Edward Nathan Sonnenbergs. He has more than 15 years' experience in mergers and acquisitions, raising capital and managing investments. Mr Wessels serves on the Boards of a number of Pembani's Investments.



**Mervin Muller: Alternate Director**  
BCom, BCompt, CA (SA), LLB

Mr Mervin Muller is an Associate Principal of the Private Equity Department at the PIC. He was previously Senior Manager of the Monitoring and Workout division of PIC, which he helped to set up in 2008. Mr Muller is a Board member of Entabeni Holdings and a Trustee of the Aloccop BEE Private Equity Trust.



**Dr Stephan Olivier: Chief Executive Officer**  
BSc (Hons), MSc. PhD (Biochemistry)

Dr Stephan Olivier is the Chief Executive Officer of AfriSam. Prior to this appointment he held the position of Chief Operating Officer for AfriSam’s cement operations. He has served under various positions within the organisation, including Director of Marketing and Technical Services and General Manager for AfriSam’s Ulco operation near Kimberley. Olivier serves on a number of industry bodies and committees.



**Leon Serfontein: Chief Financial Officer**  
BCom, BCompt (Hons), CA (SA)

Mr Leon Serfontein has been employed as Financial Manager of AfriSam South Africa since July 2000 and was appointed Chief Financial Officer on 1 November 2013. He is also a Director of AfriSam Group as well as various subsidiary companies within the AfriSam Group. Mr Serfontein is a member of the South African Institute of Chartered Accountants (SAICA).

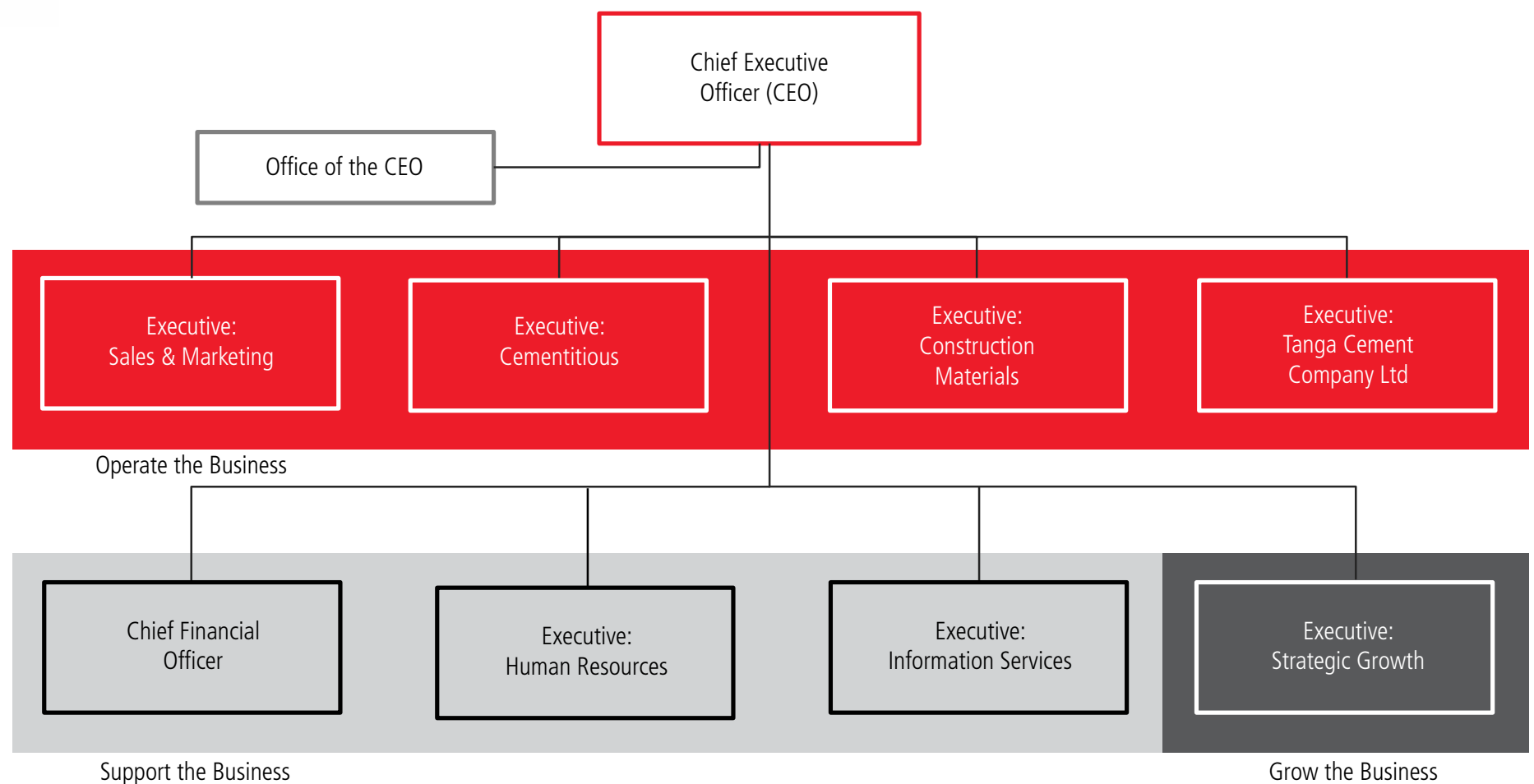






# EXECUTIVE MANAGEMENT

## GROUP OPERATIONAL STRUCTURE



80<sup>Years</sup>  
1934 - 2014

**AfriSam**

# EXECUTIVE COMMITTEE MEMBERS



## **Dr Stephan Olivier: Chief Executive Officer**

Dr Stephan Olivier was appointed Chief Executive Officer of AfriSam in April 2010. Prior to this appointment he was Chief Operating Officer of AfriSam's cement operations. He has served under various positions within the organisation, including Director of Marketing and Technical Services, General Manager for Alpha (Ulco plant), Operations Manager for Alpha (Ulco plant) and Production Manager for Alpha (Dudfield plant). Dr Olivier has served on a number of industry bodies, special committees and associations. He also served as a member of the Holcim Ltd Technical Committee from 2004 to 2007. He holds a PhD in Biochemistry from the University of the Free State.



## **Leon Serfontein: Chief Financial Officer**

Mr Leon Serfontein was appointed Chief Financial Officer in September 2013. Since joining the company in 2000 he has held a number of financial management positions and was AfriSam's Financial Manager since 2009. Mr Serfontein has an intimate understanding of our business and expert knowledge gained through years of experience. He was also instrumental in the restructuring of AfriSam's capital structure. He holds a BComm Accounting and Finance Honours degree from the University of Johannesburg and is a registered Chartered Accountant.



### **Grant Naser: Sales and Marketing Executive\***

Mr Grant Naser is the Sales and Marketing Executive of AfriSam, a position he has held since April 2011. Prior to this role, he served as the Chief Operating Officer for Aggregates and Readymix, responsible for the Aggregates and Readymix Business Unit from 2003. He has held various positions within the company, including his appointment in 2000 as General Manager for Aggregates and Readymix KwaZulu-Natal, prior to which he was appointed as Regional Manager for Alpha Readymix Gauteng. He holds a MEng (Civil) from the University of Stellenbosch, a BComm degree in Business Economics from the University of South Africa and is a registered Professional Engineer.

\*Mr Grant Naser tendered his registration towards the end of 2014 and left the employ of AfriSam at the end of January 2015. Mr Naser's valuable contribution to the success of AfriSam during his 15 year tenure is greatly appreciated by the Board of Directors and the Executive Committee.



### **Richard Tomes: Sales and Marketing Executive**

Mr Richard Tomes joined AfriSam in December 2014 as the Sales and Marketing Executive. Prior to his appointment Mr Tomes held the position of Joint Managing Director at PPC for the company's South African business since 2012. Prior to his appointment as Managing Director at PPC he held the position of Sales and Marketing Executive between 2009 and 2012; and General Sales Manager between 2006 and 2009, as well as various other positions in the sales and technical departments of PPC. Mr Tomes holds an MBA from the University of Stellenbosch, a National Higher Diploma in Civil Engineering as well as an Advanced Concrete Technology Diploma.



### **Hannes Meyer: Cementitious Executive**

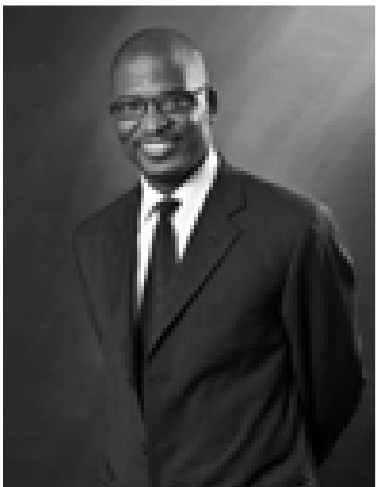
Mr Hannes Meyer joined AfriSam in 2007 as the General Manager of the company's Ulco cement operation in the Northern Cape. He was appointed to his current position of Cementitious Executive in May 2011. He has over 20 years of experience in the industry and has held a number of senior positions in the area of cement production. He holds an MSc degree in Chemistry from the University of the North West (previously known as Potchefstroom University).

# EXECUTIVE COMMITTEE MEMBERS



## **Louise van der Bank: Information Services Executive**

Ms Louise van der Bank was appointed as AfriSam's Information Services Executive in September 2010. Prior to joining the company, she held the position of Chief Information Officer at the South African Post Office. Her 27 years of experience in Information Management includes Director for SAP Core Banking at Standard Bank as well as holding various positions within the Information Technology division at Iscor Ltd (now ArcelorMittal). She holds a degree in BSc Computer Science from Potchefstroom University (now University of the North West) as well as a Higher Education Diploma from the same institution. Louise graduated from the executive programmes of Assessment Technologies International in 1997 and Darden Business School, University of Virginia, USA, in 2001.



## **Malose Chaba: Construction Materials Executive**

Mr Malose Chaba was appointed in September 2011 as the Construction Materials Executive. Prior to joining AfriSam, Malose worked for Murray & Roberts for seven years in various roles including Managing Director (Murray & Roberts Engineering Solutions), Executive Chairman of the Engineering and Contracting cluster of companies and Group Assurance Executive. He was a director of both Murray & Roberts Limited and Murray & Roberts Holdings. He also worked for Stewart Scott, Eskom and AECI. Mr Chaba holds a BSc (Electrical Engineering) degree from the University of Witwatersrand and an MSc (Computer Technology in Manufacture) degree from the University of Sussex, England.

Malose Chaba tendered his resignation in January 2015 and left the employ of AfriSam at the end of April 2015. Mr. Chaba's valuable contribution to the success of Afrisam during his tenure is greatly appreciated by the Board of Directors and the Executive Committee.



### **Roshni Lawrence: Strategic Growth Executive**

Ms Roshni Lawrence was appointed Strategic Growth Executive for AfriSam in November 2012. She has extensive strategic, operational manufacturing and technical experience garnered within the metallurgical glass, cement and construction industries. Ms Lawrence's cement industry experience spans plant and project commissioning, operational and technical functions on a group executive and senior level. Ms Lawrence's holds a BSc Honours degree in Metallurgy from the University of Pretoria.



### **Sandile Khwela: Human Resources Executive**

Mr Sandile Khwela joined AfriSam in March 2014 as the Human Resources Executive. Prior to AfriSam he held a number of leadership positions in the telecommunication and manufacturing industries, including Managing Executive – Talent Management for the Vodacom Group, General Manager – HR Operations at BMW and Senior HR Manager (Supply Chain) for Cadbury South Africa. Mr Khwela holds a BA Honours degree in Industrial Psychology as well as an MA in Industrial Psychology both obtained from Potchefstroom University (now University of the North West).



### **Reinhardt Swart: Managing Director of Tanga Cement PLC**

RMr Reinhardt Swart was appointed as the Managing Director of Tanga Cement in September 2013. He has expert knowledge in cement manufacturing which he has gained over 16 years of experience in the industry. Other positions previously held by Mr Swart include a Consultant in the Group Technical Services division of Holcim (Switzerland), Process Engineer, Process Performance Engineer and Maintenance Manager, culminating in his position as General Manager of AfriSam's Dudfield cement production facility. He held the position of General Manager for six years before he was seconded to Tanga Cement Company Limited in August 2012. Mr Swart holds a B.Eng. (Mechanical) degree obtained from the University of Pretoria in South Africa as well as a number of leadership and general management certificates.



# OPERATIONAL REVIEW





# CEMENTITIOUS BUSINESS UNIT

The Cementitious Business Unit was affected by similar challenges as other businesses within the AfriSam Group. The unit contended with cost control in a very subdued market – with electricity costs continuing to rise above local consumer inflation. The overall cost of production rose by 5.8% when compared to 2013, but remained below the inflation rate of 6.7%. One of the main contributors to increases in production costs was the lower sales volumes achieved during the year which made it difficult to absorb fixed costs.

In addition, due to market demand, especially in the Northern markets, more bagged cement was produced at the expense of bulk cement. This increased packaging costs and higher than planned use of mineral components such as fly-ash and slag.

Logistics cost were also increased due to further lead distances to deliver products to customers. The volumes of export cement increased and the ratio between collect and delivered product had a further negative impact on logistic costs.

## Energy utilisation

Energy continues to be the single biggest contributor in the production cost of cementitious products. During 2014 the Cementitious business unit managed to reduce the cost of thermal fuel by 11.1% (rand per ton cement produced) following a joint management effort between the various cement operations and AfriSam's Supply Chain department.

The rising cost of electricity will continue to have a serious impact on the business. It was the biggest cost element of production at the Ulco operation. The company plans to mitigate against some of these rising costs through a Waste Heat Recovery project for Ulco which will be implemented during 2015. Investigation for waste heat recovery at Dudfield is currently underway. In addition, the use of solar power at both Dudfield and Ulco is currently being investigated. An R80 million cement mill efficiency project at Ulco will also contribute towards significant reduction in electricity consumption and costs.

A project is currently underway at Dudfield to investigate the drying of coal using waste heat. Started in 2014 and continuing in 2015, the use of alternative fuel resources (AFRs) will be explored and implemented. Tyres are already being used as alternative fuel resources in the kiln at Ulco, whilst Dudfield is currently undertaking trials for the usage thereof. Ulco is currently conducting trials for the usage of woodchips from invader vegetation growing in this region.

## Customer experience

Our continuous focus on customer service has yielded improvements on on-time-delivery to customers. In 2014, the Cementitious business unit achieved its best result to-date at 95.9% due to the implementation of the Theory of Constraints, the improvement of production equipment reliability in certain areas as well as the review and amendment of contracts with a number of the cartage contractors. The implementation of state-of-the-art order generation and fulfilment technology, called Transvision, was successfully concluded in 2014. This will greatly contribute towards further improvements in service delivery and delivered costs.

## Operational Efficiencies

Since 2011, there has been a year-on-year improvement in the performance of Kiln 5 at Ulco. Unfortunately, Kiln 2 at Dudfield remains challenging and we have not seen a real improvement in overall equipment efficiency (OEE) for this kiln. This will be one of the major focus areas in 2015.

The team will continue with concerted efforts to improve operational efficiencies as reliability of supply is critical to the success and growth of our company. To ensure that we can always deliver to our customers according to specification and on time there is close alignment and collaboration between the various cement operations, stock holding facilities and the logistic teams.

The quality matrix is on par with 2013 and the best overall performance was achieved since measuring started in 2007. However, we need to further improve the coefficient of variant (CV) of our cement products and this will be a major focus area during 2015.

The Cementitious business unit has managed to reduce the clinker factor in the production of its products and achieved 66.8% against a target of 69.6%. This was as a result of increased utilisation of mineral components in the production process. As a result, CO<sub>2</sub> emissions during 2014 were reduced in line with our stated goal of reducing our impact on the environment.

With a strong foundation set during this year, we are poised to show significant improvements in most parts of the business in 2015. The Cementitious business will strive to achieve lower production costs as this will allow the company to be more competitive in the market. It remains our goal to achieve “lowest cost producer” status. We have already embarked on a number of projects to improve our manufacturing technology which in turn will have a positive impact on our operational efficiencies. Reduced fuel prices should have a positive impact on our logistic costs, whilst we should realise more savings following contracts reviews with cartage contractors.

## Leadership Development

Since 2013 significant time and energy have been invested by the Cementitious Executive and General Managers to define a culture that will inspire high performance amongst employees. With the leadership team of the Cementitious business unit clearly aligned, this programme is now ready to be rolled out to the next level of managers.

The focus of the programme is to effect a change in culture and will focus on improving supervisory skills, business acumen and technical skills. The focus of the leadership development is two pronged, focusing on leadership as well as technical skills.



# CONSTRUCTION MATERIALS

As the largest producer of aggregates and the second larger producer of Readymix concrete in South Africa, AfriSam’s Construction Materials operations provided construction material solutions to major construction and infrastructure projects during 2014.

Although faced with challenging market conditions, our superior product quality and added value offering stood us in good stead and the Construction Materials business delivered a fair performance during the year under review.

### Aggregates

Even though demand for aggregate products was subdued due to unfavourable market conditions, the aggregate business produced in excess of 9 million tons of aggregate during 2014, with the Coedmore quarry in KwaZulu-Natal breaking the 1 million ton mark.

Despite slightly lower sales volumes the Aggregate business ended the year ahead of its EBITDA target. This was mainly driven by higher sales volumes from the Southern region and a concerted effort to manage and reduce costs across the operations. As a result the Western Cape region performed particularly well and exceeded EBITDA target by 22%.

In addition, great focus was placed on the sales: production ratio during the year to reduce the amount of unwanted stock currently in stock piles, as well as to ensure that high-demand products are produced according to customer requirements in an effort to reduce unnecessary overtime spent in producing these high-demand products.

The consolidated Overall Operating Efficiencies (OEE) have been on par with the 2013 levels and above target at 71.54%. At operations where a significant decline in OEEs were experienced, root cause analysis were conducted and improvement plans implemented. It was particularly challenging in the prevailing market conditions to match output of the plants with market demands and to execute planned maintenance when plants are required to run overtime to produce high-demand products. We look forward to building on this performance during 2015.

In the Northern region, theft and crime by external parties were a big concern. In one extremely unfortunate and sad incident, a security officer was fatally injured during an armed robbery. We have gone to extreme lengths to improve security measures at all our operations in an attempt to prevent such an incident from happening again. The theft incidents were targeted at diesel, cables and computers.

### Readymix

Despite having won a large portion of the available construction projects that went out on tender during 2014, performance of the readymix business was severely impacted by the sharp decrease in construction activity across the country. Notwithstanding the lower than targeted financial performance, this business unit played a critical role in AfriSam’s pull-through strategy for our cementitious products and remains a key success factor of the company’s positioning as a fully vertically-integrated construction materials business.

Responding to the market conditions, the Construction Materials operations focused on reducing costs during 2014. In the Northern market, the Readymix transport model was reviewed and achieved significant savings as a result. In addition, the utilisation of raw materials in the Readymix product mix designs were optimised and contributed towards additional savings.

AfriSam continues to manage its fleet of Readymix trucks effectively in line with market demand. During the year, a GPS and tracking system was introduced to all Readymix trucks to optimise travel routes and delivery times and improve efficiencies. With improved measurement of our Readymix trucks, opportunities for improvement will be more easily identified and the full benefits of this project will be realised during 2015.

### Customer Experience

Another key focus area for the Construction Materials business unit was supporting the company’s strategy by unlocking value for our customers as part of AfriSam’s Customer Value Management philosophy. This was done by ensuring that our operations are able to deliver against the promised value propositions and according to customer expectations. To achieve this, discipline had to be entrenched into the daily management of operations so that the right product is available at the right time, production facilities are running optimally and superior quality products are produced.

When compared to 2013, there has been a significant improvement in customer service as measured in the quarterly Voice of Customer survey. The most noticeable improvement was achieved in the ‘ordering & delivering’ category and is now the highest scoring attribute amongst all measured. This indicates that customers are generally satisfied that their orders are being delivered within the agreed time frame for both normal and urgent orders.

This improvement is testament to the substantial effort by the Construction Materials team to ensure that AfriSam delights its customers and out-performs its competition.

### Looking ahead

We expect that the market conditions faced during 2014 will prevail during 2015. We will therefore continue to focus on improving operational efficiencies and managing costs to increase the profitability of the business unit. By consistently producing superior quality construction materials, to customer specification and delivered on-time we will build on our competitive advantage and positively contribute towards the success and growth of AfriSam.

*// AfriSam's Aggregate, Readymix and specialised cement products were used in various sections of the ground-breaking Gautrain Rapid Rail Link project. //*



# SALES AND MARKETING

Despite very challenging conditions in the construction industry due to the slowdown in the overall growth rate of South Africa and a subsequent flat growth rate in the cement industry, AfriSam managed to retain key customers and secure flagship projects as a result of our strategy to be a customer-driven organisation providing multi-product construction material solutions.

Our Readymix business maintained their volumes and increased their operating profit and continue to be an important part of the AfriSam value proposition by not only providing the customer with customised solutions but also playing a critical role in the pull-through for AfriSam’s cement and aggregate products.

As a result, the Aggregate business was able to maintain their volumes compared to 2013. AfriSam has secured flagship projects in the Sandton area, which put us in a sold-out position for Readymix in this area.

Cementitious sale volumes were lower than expected in the second half of the year as the new entrant, Sephaku, ramped up its production volumes earlier than anticipated. Despite these challenges and pricing being under severe pressure AfriSam managed to maintain its position as the number one supplier to the two largest resellers and continued our partnerships with the major manufacturers. As a result, Cementitious sales volumes remained at similar levels to the previous year.

A number of initiatives were either launched or continued during 2014 to help mitigate the increase in competition. The journey AfriSam embarked on in 2012 to create a remarkable and differentiated customer experience is starting to bare fruit, as is evident in our retention of key customers.

Customer Value Management (CVM) is a strategic choice and it is AfriSam’s commitment to our customers that we will unlock value for our customers according to their wants and needs and not by the company’s own production capabilities. Practically speaking it requires AfriSam to be able to produce and supply differentiated product and service value propositions to different customer segments at different price points. It is a long-term commitment as customer relationships built up over years is a strategic advantage and creates value for both customer and AfriSam.

An important component of CVM is AfriSam’s ability to add value to the basic product offering, typically through the bundling of product and service

solutions that cannot be matched by our competitors. This has resulted in comprehensive re-engineering of the way we service our customers as well as a complete restructuring of the AfriSam operations. During the year under review, good progress was made with the improved effectiveness of the Single Sales Organisation, the implementation of tools and technologies such as SAP CRM, the co-location of the contact centres and the re-launch of the segment specific value propositions for all three product lines.

CVM is an ongoing journey as complacency with regards to customer service will destroy the value created. AfriSam will continue to align and focus on consistently delivering superior and differentiated customer value propositions (both on products and services) at different prices to different customer segments. Ongoing initiatives to keep our competitive advantage include:

- The implementation of a new pricing system that will facilitate differentiated pricing to the target segments.
- The refinement of the implementation of the Customer Experience Dashboard by operations to keep track of customer perceptions, and implement interventions timeously where required.
- A review of the current order generation and fulfilment processes and procedures to support the principles of CVM.

In addition progress was made with several tactical initiatives:

- Our Southern market expansion started with sales penetration into the Western Cape, the opening of the new distribution depot in Port Elizabeth and our readymix plant in Saldanha.
- Our on-going participation in the economy cement space through our fighting brands, Star Cement and Builders Pride, provides us with a two-pronged response - in conjunction with our premium brand - to the challenges we are experiencing at the upper and lower ends of the market.
- Voice of Customer results have shown an improvement from 2013, an indication of our focus on creating a positive customer experience.
- We also launched a functional product positioning under the C-Tech (Composite Technology) banner on packaging, and through media campaigns using TV, radio, print and electronic media, and in-store promotions. C-Tech emphasises the superior performance of advanced composite cement relative to “pure cement”.

## New product development

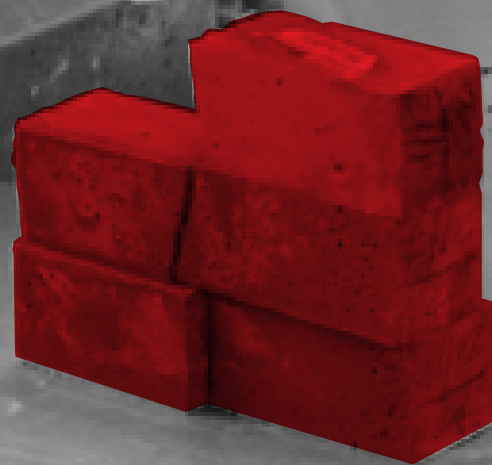
We upgraded our flagship All Purpose Cement from a 32.5R to a 42.5N. The product has been well received in the market and continues to differentiate our various product ranges from the competition in the market place.

AfriSam officially launched the Premix range to 105 selected stores in an effort to re-position the product in the market. Uptake is still to be determined, but earlier indication points to positive reception by the market.

Our continuous investment in research and development is setting us apart from the competition as we continue to innovate with new product developments. Market acceptance and technical testing is being carried out on AfriSam’s new dry-mortar solution. We expect to launch this new solution into the market during the first half of 2015.



*AfriSam's Centre of Product Excellence undertakes ongoing product development in order to provide fit-for-purpose concrete solutions to its customers.*





# TANGA CEMENT PLC

General market conditions during the period under review have been tough, but positive. We experienced an increased influx of imports from neighbouring East African countries such as Kenya, which was further enabled by the removal of tariffs between East African countries and easy access to our major markets in Northern regions by competing brands. The new entrants in our markets experienced tax protection as part of new regulations aimed at encouraging investments. These measures have enabled products from neighbouring countries to undercut prices in local markets to our detriment. At the same time, cheap imports from the Middle East have started to enter Tanzanian markets creating an unlevel playing field; these countries benefit from widespread acts of tax evasion via under-declaration of prices and volumes delivered into local markets. Increased smuggling of cement across the border into Kilimanjaro and Arusha added to pressure in local markets and prices. We are lobbying the Tanzanian Government as well as the Fair Competition Commission to control cheaper imports, including manufacturing substitutes.

Despite some of these challenges, Tanga Cement PLC managed to post a positive financial performance during 2014 compared to 2013. Our EBITDA for the past year was 10% lower than target, but 4% higher than that achieved for the period in 2013. This has been attributed to increased direct sales to customers that achieved higher margins and active initiatives on fixed cost control. On the cost side, we managed to decrease our overtime costs compared to the same period in 2013. The company experienced a significant decrease in third party service costs following renegotiation of several contracts with suppliers and a decrease in the thermal energy cost following renegotiation of the coal supply contract.

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low Total Recordable Injury Frequency Rate (TFIFR) of below 1 against a target of 6.4, we unfortunately had a fatality at the kiln at the end of April. This was thoroughly investigated and a number of lessons were drawn from the incident. We have implemented solution based on these lessons learnt in order to avoid similar incidents from recurring.

Our environmental performance remains on track, with the critical emissions below the legal limit on a monthly average basis throughout the year. The performance and availability of the monitoring equipment was however an issue, as we could not get the full benefit of anticipated measurements from it. A phase out of equipment is being considered as mitigation. For the first time a baseline environmental monitoring programme was implemented on site and we now await the initial results from the sampling and measurements.

## Customer value management

As much as there were encounters that we could manage or control, certain challenges were out of our hands; this included the lack of stable policy in governmental institutions, leading to reallocation of funds to unplanned projects. This impacted on our performance as infrastructural projects were shelved.

The country also continues to experience weak financial and funding structures. This impacted most projects – such as road infrastructure developments – that are dependent on fuel levy collection, which has a high evasion rate.

With regards to logistics, we continue to battle with old, low capacity and poor rail performance. Moving of some products is affected as there is no dedicated and reliable rail infrastructure to service the cement sector. Hidden costs in the power sector lead to a high financial burden in emergency power, as well as low access to rural areas coupled with poor quality service. To mitigate the impact of this, Tanga Cement PLC is moving away from owning and controlling supply depots and, instead, towards independent distributors with their own lower cost logistics. We are also exploring means of cheaper back-haul transport, especially during crop harvesting seasons. We are also investigating opportunities of owning rail wagons through an affiliated company, whilst we continue to engage Tanzania Rail Limited to push for proper and more efficient cement transport means. We continue to lobby other governmental institutions to improve services and reduction of operation costs, e.g. the Power Supply Agreement signed with the utility company.

In a globalised environment, poor telecommunication infrastructure is a hindrance to doing business. In Tanzania, GSM commercial coverage is only at 65% compared to other East African countries where the average coverage is at 90%. Furthermore, dependency on foreign funding has been problematic as some donors have stopped providing their support due to the misappropriation of some funds by the Government.

## Construction of a second kiln line

The construction of a second kiln line at Tanga Cement PLC is making good progress and is still on track to produce its first clinker in the last quarter of 2015. Once completed, the second kiln line will more than double TCPLC's clinker production capacity, which will result in significant cost saving for the company.

## Looking into 2015

We expect the coming year to remain tough, but we should continue on the positive financial path. A number of projects have been approved by government and private investors and these should increase demand for our products. Among the exciting projects is the development of Kawe City, Tanzanite Mall and Tanzania China Logistic Centre in Dar Es Salaam and the expansion of the Dar es Salaam Port.



**SIMBA**  
**CEMENT**  
STRENGTH WITHIN



# HUMAN RESOURCES

AfriSam believes in the value of People as the ultimate driver behind our business. We strive to create a rewarding experience for our employees through the adoption of various employee benefit programmes, whilst at the same time empowering and supporting our employees to be the best performing people. In return, our employees have shown commitment through a strong work ethic over the years.

During 2014, and understanding the tough economic environment we continue to operate in, AfriSam realigned its Human Resources strategy to align with business expectations and in support of the critical “must win battles” identified by the business. Our employee value proposition has to manage a fine balance of expectation when retaining employees or recruiting new talent into the business. This fine line was not made easy by the harsh trading conditions which impacted on our ability to constantly offer remuneration above average market salary in critical areas, or short term incentives to retain key technical skills. However, we still managed to manage our staff turnover to a low level of 6.1%.

In 2013, AfriSam adopted the Vision 2020 roadmap, and crucial to its success is the human resourcing and talent management required. Beside the challenge of managing the scarcity of critical skills to effectively and efficiently manage the business pursuant of the Vision 2020 targets, the Human Recources business unit had to manage growth further into the African continent, resourcing and transforming of AfriSam processes for these new territories. This placed pressure on the department to source, acquire and retain the right skills from a limited talent pool.

The company’s relationship with its employees is of paramount importance. AfriSam prides itself in the quality of the relation it maintains with its staff, whilst the Code of Conduct also clearly defines how the day-to-day business should be managed between the company and its employees in a manner which promotes professionalism, integrity and respect.

AfriSam’s people practices reflect true citizenship and there is an on-going process within the company to drive transformation, inclusiveness, ensure equality and promote human dignity. Diversity is AfriSam’s strength on its journey to success.

## Focus areas during 2014

Subdued construction activities during 2014 adversely impacted a number of companies in our industry, with some of the players closing doors or retrenching employees. AfriSam is pleased that it went through the year without retrenchment of its permanent employees, and instead used the

period to initiate a new human resource strategy in order to position the department as a key pillar to the company’s future growth and success.

Great focus was placed on developing an HR strategy that will drive our business forward in line with our Vision 2020 objectives. As part of the strategy and the priorities for 2014 a succession plan for Executive Committee Members and key Senior Management Level functions were created and implemented.

The development of leadership capacity within AfriSam has received significant attention in the last year. 58 managers underwent various training initiatives as part of developing a leadership that will drive the business into the next century.

AfriSam is constantly exploring ways to improve its reward and recognition strategy. The company understands that the tough economic condition that exist globally negatively impacts its staff. AfriSam understands that proper remuneration and reward is a business issue, and not only a Human Resources issue. AfriSam spent a considerable amount of time developing a total Reward Strategy for its staff as it believes that this has direct impact on productivity, company culture, employee behavior (safety) and the overall sustainability of the company. To this end, the company has also implemented a centrally co-ordinated recognition system.

## Key achievements in 2014:

- Top Employer in South Africa  
For the fifth consecutive year, AfriSam has been certified as a Top Employer in South Africa, a testament to our efforts to create an enriching working environment.
- Development of the Human Resources Strategy in line with the overall Business Strategy  
The strategy recognises that for the company to grow as envisioned in Vision 2020, a different human capital approach is needed.
- Launch of the Afrisam 360 Assessment for Leadership Development for Senior- and Top Management. Continuous self-and peer-to-peer assessment is important for our leadership development.
- Design of the AfriSam Learning Academy Framework & Platform. Launch of the academy scheduled for Quarter 2 of 2015.
- Review of the Mentorship and Coaching programme.
- Development and implementation of the AfriSam Recognition Awards programme.

## Tracking employment equity

AfriSam continues its transformation journey by measuring its performance against an internal stretch targets and the impact thereof on its B-BBEE score. This will inform the formulation of a new Employment Equity Plan to be submitted in 2015.

Targets have been exceeded in the Non-, First and Senior Management levels against the current Employment Equity plan. Increased focus is given to women in mining and the development of females in technical positions. This has been agreed and confirmed with the majority of our staff in their 2014/5 Personal Development Plans.

This is further supported by our initiative to advertise position on non-management and first-management levels at the local operation notice boards to attract applicants from the local communities. We also optimise local platforms such as local recruitment agencies to ensure we increase the possibilities of attracting local talent.

## Focus on growth in 2015

Our continued success depends on proper planning. To continue building a much stronger and capable workforce, AfriSam will focus on:

## Supporting Talent Mobility as part of Vision 2020:

AfriSam’s success going into the future depends on how the company can replicate its process and system successes from one plant to the other. Human capital deployment is also a critical factor as you need to balance the resource needs of new operations with maintaining stability and continuity in existing ones. AfriSam’s Talent Mobility Framework has been designed with four focus areas, namely, AfriSam International Assignments, International Employees Seconded to AfriSam, Mobility and Internal Mobility for Development. A procedure for international assignments has been developed and implemented to support the immediate need for secondments into our other African operations. Transfer and secondment initiatives have improved in 2014, which is intended to broaden talent mobility within the business and also ensure bench strength and depth.

## The full implementation of the AfriSam Learning Academy:

Building capacity and capability within AfriSam is another critical area addressed during 2014 with a thorough assessment of current and future capacity requirement undertaken in line with the company’s Vision 2020 objectives. The vision has identified growth in production capacity and market share over the next six (6) years across a number of African countries.

To respond to this plan, we need to properly build capacity in South Africa and be able to support new operations in the continent. One of the key enablers of this capacity development will be the AfriSam Learning Academy which is under development. First phase of the learning academy (learning management solution) has been developed and is currently in test phase. We hope to launch the Academy in Quarter 2 of 2015. This academy will not only allow the company to have a pipeline of skilled personnel ready for deployment in key positions, but will also ensure that AfriSam's processes and philosophy is replicated in all its operations be it in South Africa or other African operations.

#### Development of capability and resourcing strategy:

AfriSam developed the talent management strategy to define all the key personnel roles the company requires to achieve its objectives. Operating in a sector with huge skills shortage, a leadership pipeline has to be identified and nurtured at all times to ensure smooth development of a succession plan. Talent management is across the company, starting from the general workers to management. Critical technical skills have to be treated as special cases, with persons in these positions constantly being monitored and assessed for job satisfaction in order to pick up early signs of disillusionment which might lead to resignations.

#### Other areas of focus for 2015:

- Review the Employee Development Review (EDR) and People Forum process.
- Introduction of Talent Profiles which will provide a transparent assessment of current staff skills and experience enabling quick decision making on success planning.
- Develop and implementation of a Total Reward Strategy aligned to the performance culture and Talent Strategy.



// *Employees from AfriSam's  
Newcastle Aggregate operation.*



# INFORMATION SERVICES

## Overview

The strategic intent of AfriSam is to gain a competitive advantage through the use of technology enablers. To achieve this, the Information Services (IS) Strategy is informed by 4 strategic drivers: AfriSam's Strategy, IS Maturity, Technology Environment and IT Audit, Risk and Compliance. Much focus and effort has gone into the alignment of the IS strategy to support the delivery of the AfriSam business strategy.

In alignment with **AfriSam 2020 vision**, the focus of IS is to deliver on projects that enable business transformation and growth, leverage IT to increase organisational effectiveness and efficiencies, improve services and streamline business models across all departments. Current programmes include Customer Value Management (CVM), legacy system replacement, Information Management and the crafting of a digital business strategy.

The **IS Maturity** drive is delivering value through stable and secure services throughout the organisation. The Wide Area Network and monitoring managed services solutions provided a stable network from the core to the last mile. The cloud infrastructure and security alignment allowed for quick time to market cloud solutions such as the BoardPad hosted in the UK, Project Portfolio Office (PPO), AfriSam Learning Academy and the AfriSam Reward System hosted in SA.

IS Strategy aligns to the **Technology Environment** and industry trends. Value chain end-to-end automated business processes, improving efficiencies from both a customer and supplier perspective have been designed and is being implemented. The digital strategy makes provision for functionality such as digitised customer experience, value management and operational efficiencies through monitoring and triggers.

The **IS Risk Management** processes and practices are maintained in alignment with Enterprise Risk Management. Significant progress was made on projects initiated to address findings from the bi-annual IT Infrastructure audit and the Information Security governance review. A program to ensure compliance to the anticipated Protection of Personal Information (PoPI) regulations has been put in place.

## Key strategic initiatives:

### Enhance customer experience

The **CVM program** currently focusses on the standardisation of order generation for all products on SAP and the optimisation of SAP CRM (Customer Relationship Management).

The collection of projects within the scope of order generation standardisation includes the standardisation of products, price, quotes and orders. The delivery of the projects is planned to be completed by June 2015.

### Improve business efficiency and effectiveness

A number of programs have been identified to address business efficiency & effectiveness:

#### 1. Legacy System replacement program:

This program consists of a number of projects to replace legacy systems for Construction Materials (CM) order generation to fulfilment and Cementitious logistics.

Projects implemented:

- Logistics solution for Cementitious (Transvision)
- CM truck tracking solution
- Improvement of CM quality system (COMMANDqc)

#### 2. Business process optimisation program:

- Contractor take-on process (Dudfield)
- Long-term awards scheme process
- Company tax process





### 3. Information Management program:

- SAP Mobility: Limited SAP Fiori Mobile Application Suite implementation
- Business Planning and Consolidation (BPC) implementation

### 4. Knowledge Management program:

- eLearning Academy solution implementation - completed, content creation in progress
- SAP DMS (Document Management Solution) implementation - completed

## The focus for 2015

Programs in line with the strategic intent to gain a competitive advantage through the use of technology enablers for 2015 are:

### 1. Enhance Customer Experience

- Customer Self Service Portal and Web-sales
- Enhance customer touch point experiences through value driven metrics
- Enhance CRM functionality and drive adoption

### 2. Improve business efficiency & effectiveness

- Enhance Business Intelligence and Analytics including business performance metrics
- Collaborate and share information and knowledge
- Readymix scheduling solution as part of the legacy system replacement program
- Full roll-out of SAP Mobile application suit
- Enable SAP integration services
- Implement Voice over IP technology to support Unified Communication

In addition to the above, the Digital Business Strategy will be finalised to ensure digital opportunities are embraced, and to drive further technology deployment.

80<sup>Years</sup>  
1934 - 2014

**AfriSam**



# SUSTAINABILITY REVIEW





# AFRISAM SUSTAINABILITY STORY

- 13** Due to our C-Tech technology, we use **40% less electrical and thermal energy** in production.
- 12** AfriSam's aggregate and cement **operations recycle or re-use** at least 70% of their top three waste streams.
- 11** Fresh water consumption has been significantly reduced through recycling of water on-site. **AfriSam saves water by needing less** to become workable when being mixed.
- 10** As the transportation of its products is an integral part of the company's business, AfriSam's suppliers and contractors are involved in the **'safety driver report' programme**, which entails regular checks of contractors' vehicles for roadworthiness and training of drivers for road safety awareness.
- 9** AfriSam has a **deeply entrenched safety culture** and runs continuous awareness campaigns to keep safety at the forefront of the minds of its internal and external stakeholders at all times.
- 8** Our Eco Building Cement has a carbon (**CO<sub>2</sub>**) **footprint** of 442g/kg - half of the world average as defined by the World Resources Institute and World Business Council for Sustainable Development.





1

AfriSam's **Enterprise and Supplier Development programme** equips entrepreneurs and SMMEs in communities surrounding our operations with the necessary skills and knowledge to enable them to do business with AfriSam and other companies.

2

Contributing towards the **development of our host communities** is one way that we at AfriSam seek to demonstrate our corporate responsibility for the good of all concerned.

3

To produce AfriSam's Advanced Composite Cement products, we use mineral components that are by-products of the energy generation and steel manufacturing process. This has **further reduced the carbon footprint of the cement** manufacturing process and has successfully created a market for a product that may have otherwise been sent to a landfill as waste.

Fly Ash is a by-product of a coal-powered power stations while GGBFS is from the steel industry

4

Pneumatic pumps allow us to deliver our products on site **without excessive dust pollution.**

5

Our employees are the backbone of the organisation and their **safety and wellbeing is our priority.**

6

AfriSam continues its **transformation journey** by measuring its performance against internal stretch targets and the impact thereof on its B-BBEE score. We have maintained a **Level 2 B-BBEE contributor status** since 2012.

7

Rehabilitation of land: All AfriSam mines operate in terms of approved Environmental Management Programmes that encourage the **rehabilitation of mining sites** to a self-sustaining or positively useful land form upon final closure.

At our Dudfield Quarry, the mined land is returned to grazing within 2 years

# SUSTAINABILITY

## AfriSam’s Approach to Sustainability

AfriSam has been consistent in its approach to implementing sustainability within the company, understanding the delicate balance of actively managing its long term financial health with the need to uphold positive social and environmental behaviour. The desire to achieve this balance is the basis for the establishment of a strong corporate governance platform.

The company’s sustainability is based on three distinct values, which guides our decision making throughout our operations, which are: People, Planet and Performance.

**People:** In recognition of the reality that people are what make the business, we strive to conduct our day-to-day business dealings and communication with integrity and in a professional, courteous and honest manner.

**Planet:** We are responsible for the impact of our actions on the community and environment. We embrace our cultural heritage and have a responsible approach to all stakeholders in the community. We utilise natural resources in a deliberated way, thereby sustaining life for future generations.

**Performance:** We are uncompromising in our professionalism and strive to be the best in everything that we do. We utilise our time, energy and resources to make a valuable contribution to our customers, colleagues and business partners.

The company drives its sustainability approach through:

- A structured and disciplined approach to risk which will ensure that the results of AfriSam’s efforts are not diminished through avoidable loss or uncertainty, and that AfriSam takes advantage of opportunities where appropriate
- Prioritisation of employee safety and wellness and the safety of all who interact with the company
- Protect local communities and the environment through awareness and minimisation of the impacts of the company’s activities
- Ongoing interaction and engagement with all stakeholders

## People Occupational Health and Safety

We are committed to continuously improving our performance, and are taking important steps to implement global Occupational Health & Safety (OH&S) standards at all operations. Our people are our most valuable asset.

It therefore makes sense that their health and safety is of utmost importance to us.

AfriSam is committed to the Health and Safety of all individuals and groups with which it engages in carrying out its daily business activities. The company has a deeply entrenched safety culture and runs continuous awareness campaigns to keep safety at the forefront of the minds of its internal and external stakeholders at all times.

To this end, AfriSam has implemented health and safety programmes and principles which are aligned with international standards but are tailored to suit its people and its production and distribution requirements.

As the transportation of its product is an integral part of the company’s business, AfriSam’s suppliers and contractors are involved in the ‘safety drive report’ programme, which entails regular checks of contractors’ vehicles for roadworthiness and the training of drivers for road safety awareness.

The following principles underpin the company’s commitment to Occupational Health and Safety:

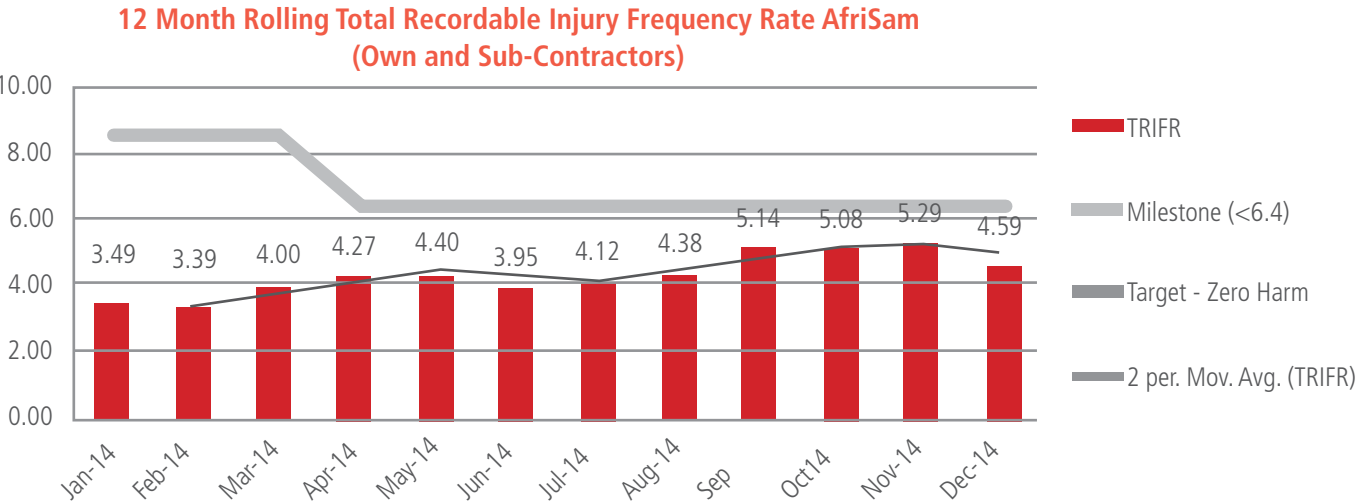
- Acceptance of Occupational Health and Safety (OH&S) as an integral part of business strategy where all stakeholders understand the balance between profitability and OH&S.
- Commitment to prevention of injury and ill-health and the continual improvement of systems and performance which provides a framework for setting and reviewing OH&S objectives and targets.
- Demonstration of visibly-felt leadership at all levels within the organisation.
- Compliance with legislation and other requirements where applicable.

- Commitment to training, development, exposure to experience and provision of skills to ensure the workforce acknowledges, understands and manages hazards and risks associated with the work.
- Maintenance of equipment to the highest standards.
- To be subject to a risk-based change management approach.
- Open engagement and communication with interested and affected parties.
- Reporting of all incidents, analysis of root causes and striving towards best practices.
- Revision of the OH&S policy on a regular basis to ensure relevance and appropriateness.
- All employees undergo initial and annual medical surveillance, the scope and practice of which is aligned to local legal requirements and regional health and safety risks. These tests allow for prevention, early detection and treatment of occupational diseases.
- All operational sites conduct hygiene assessments on a scheduled basis. These are used to ensure alignment with medical surveillance.

## Safety performance

During 2014, we unfortunately suffered two fatalities in our business with a contracted security guard attacked by robbers at our Rooikraal Aggregate Operation in Gauteng and a contractor succumbing to his injuries following severe body burns during a kiln pre-heating at Tanga Cement PLC. These two incidents are highly regretted, and were both thoroughly investigated and corrective actions were taken to ensure that similar incidents do not reoccur.

Our safety performance has been slightly disappointing during the past year with the Total Recordable Injury Frequency Rate (TRIFR) rising to 4.59 when compared to the 4.05 achieved during 2013.



As per procedure, all injuries are investigated on an individual basis and remedial actions implemented.

## Occupational Health

All permanent staff undergo medical surveillance monitoring. The frequency is risk-based, with most of our staff undergoing annual tests. Our medical surveillance tests are comprehensive, covering over 30 mandatory checks including Tuberculosis, Sillicosis, noise-related hearing loss and AIDS.

All cases where an individual is tested positive for any of the above-mentioned issues are treated confidentially and with sensitivity. The authorities are notified of all reportable cases. In some cases we first obtain a second opinion from external medical practitioners. We then manage the case accordingly. Where feasible, the source of the occupational disease is eliminated or reduced. Appropriate Personal Protective Equipment (PPE) is also supplied. There are also instances where the employee is relocated to other areas. Where required, our medical boarding process is followed. There are ongoing education and information sessions. These sessions are normally conducted by occupational medical practitioners, occupational health nursing practitioners, peer educators and external service providers.

## Training and Education

AfriSam believes that training and development of its employees is crucial for its future sustainability. We believe that education, in whichever form it may be, helps in the development of skills, addresses unemployment and promotes development. South Africa is unfortunately in a disadvantageous position due to the shortage of critical technical skills, adding extra burden to industrial companies to ensure the development of their own workforce.

## Bursars

A total of 16 deserving students were awarded bursaries to pursue tertiary education within South Africa during 2014. The selected candidates reflect a fair representation of historically disadvantaged South African groupings in line with the company's objectives. People with disabilities are considered in line with employment equity requirements.

Bursary recipient selection focuses on potential as psychometrically assessed, committed career choice in a priority field as far as AfriSam is concerned, excellent academic track record and good behavioral standards. We also choose in line with our obligations towards the Mining Charter and Employment Equity requirements and specific additional attributes such as conduct, leadership, etc.

Our future training needs are dictated by legal compliance training, the need to minimise business risks by ensuring sufficient bench strength and depth for the jobs that are scarce and / or critical for operational sustainability. Our leadership development focus needs to deliver value for stakeholders under very competitive conditions, which requires determination, agility and creativity, coupled with an entrepreneurial orientation for business growth and expansion.



# SUSTAINABILITY

## Labour practices and human rights

At AfriSam, our employees are our most valued asset and the ultimate driver behind the success of our business. As such, we strive to create a rewarding experience through the adoption of various employee benefit programmes.

We promote Human Resource practices that promote the attraction and the retention of the best people. We view employee development as a path to providing value for both our customers and employees. We operate in accordance with the Labour code (1996) and have had no incidents of misconduct. Employees at AfriSam receive market-related remuneration packages.

## Economic Empowerment

Socio-economic development contributions consist of monetary or non-monetary contributions initiated and implemented in favour of beneficiaries by the company with the specific objective of facilitating sustainable access to the economy for those beneficiaries.

The full value of contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits black people. If less than 75% directly benefits black people, the value of the contribution multiplied by the percentage that benefits black people, is recognisable.

## Supplier relationship management

AfriSam strives to be the best in everything it does. In addition to its social, environmental, financial and operational performance, AfriSam prides itself on the effective management of its relationships with its various stakeholders. The Group's suppliers form a critical part of the company's ability to operate and its sustainability in the future.

To this end AfriSam has implemented a comprehensive supplier relationship management programme, which addresses various aspects of the relationship and upholds South Africa's overall economic transformation objectives through preferential procurement and enterprise development. As is the norm for the Group's own employees, supplier safety is an important element of this relationship. AfriSam further promotes long-term partnerships with selected suppliers in a quest to establish and maintain stable and reliable sources of supply.

## Procurement

AfriSam uses a centrally controlled, group-wide standard procurement process working together with suppliers to optimise resources and workflows through centralised, regional and local procurement offices.

## Preferential procurement

AfriSam supports preferential procurement as a lever for economic transformation and Broad-Based Black Economic Empowerment (B-BBEE). The company is committed to work with its existing suppliers to transform themselves, as well as sourcing products and services from new suppliers that embody the principles of transformation.

By using its buying power, AfriSam has been instrumental in many of the suppliers producing their own B-BBEE scorecards and submitting to a verification of their B-BBEE status. The number of new verification certificates and the improvement in the Group's own preferential procurement score demonstrate that suppliers have an improved understanding of their status and can take further steps to improve their scores.

For transformation within Procurement to be sustainable, prices and service levels need to be competitive. AfriSam therefore assists its suppliers to be competitive through local and global benchmarking and

sourcing processes where the entire supplier offering is evaluated based on Total Cost of Ownership (TCO), including B-BBEE contribution level, price, service, safety and quality.

## Suppliers and enterprise development programme

AfriSam views enterprise development as an integral part of promoting and fostering Black SMME development in South Africa. AfriSam firmly supports, and views itself as a key player of the National Agenda in promoting a thriving SMME sector as part of poverty alleviation initiatives, especially in the areas where the company operates. To this end AfriSam has opened a Business Development Centre at its cement factory in Roodepoort to support its Enterprise Development Programme. The aim of the Supplier Development Programme is to identify black-owned, Small, Medium and Micro Enterprises (SMMEs) surrounding the company's operations and providing entrepreneurs with the necessary support and development, for them to ultimately be included in AfriSam's database of registered vendors and grow their businesses. This centre will assist the company in running an efficient local procurement and supplier development programme. This programme will assist in increasing spend within the communities and result in an economic improvement to the host communities close to AfriSam's operations. The Supplier and Enterprises Development Programme will take both a short term and a long term implementation approach:

- The short term approach will focus on community-based small and medium enterprises that are current suppliers or potential suppliers. The objective for this first target group will be to increase capabilities and capacity without impacting negatively on safety standards or quality requirements.
- The longer term aim will concentrate on the development of a training package for Historically Disadvantaged South African (HDSA) suppliers including national, regional and community-based suppliers. The objective for this second target group will be to increase competitiveness and improve access to other regional markets. With the implementation of e-procurement initiatives, the national and even global trading markets are becoming increasingly accessible to our HDSA suppliers.

## Community Development – engaging with local communities

At AfriSam, we know that we are a part of the communities in which we operate. We believe in understanding the needs of communities in areas where we do business so that we are able to make meaningful contributions to their upliftment. We see this as a chance to improve the quality of life of our employees, their families and the communities around our operations. In particular, we try to focus on areas that can make a difference to as many people as possible. These include education and development, conservation and legacy projects.

Contributing to the development of our host communities is one way that we at AfriSam seek to demonstrate our corporate responsibility, for the good of all concerned. We recognise that being a good neighbour entails not only limiting environmental impacts, but also working with our stakeholders to help improve their quality of life. For a company such as AfriSam, the license to operate comes directly from the communities and regions close to our plants and quarries.

Our missions in these areas are clearly defined and guided by our Corporate Social Responsibility (CSR) framework. We dedicate approximately 1% of our annual net-profit after tax towards community development projects.

Focus areas of community involvement projects include:

**Education:** projects in this area aim to empower and equip communities with knowledge and skills as well as to provide them with the tools and facilities to become self-reliant and sustainable. In so doing, the company is addressing a number of problems such as skills shortages and unemployment, for the future operational benefit of business and industry in Southern Africa.

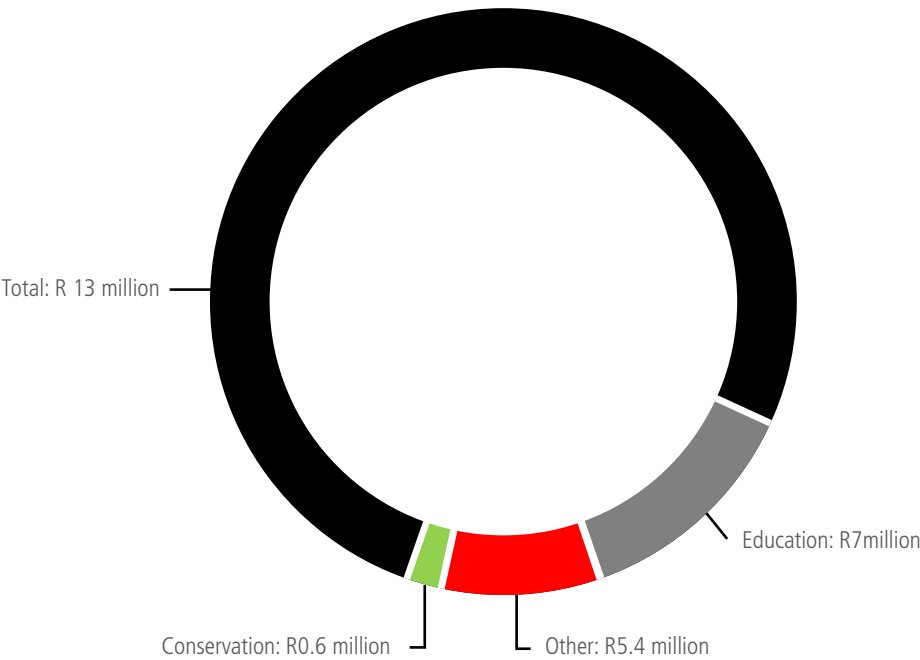
**Conservation:** these projects are targeted at empowering host communities in environmental matters affecting the groups' common heritage and livelihoods. Projects within conservation include learner awareness programmes,



support of school environmental projects such as ‘World Environment Day’, teacher awareness programmes as well as the support of environmental organisations.

**Other:** In addition to these focus areas, we are actively involved in initiatives that seek to establish and promote provincial and national programmes that support the company’s business objectives and community involvement policy. These include HIV/AIDS projects, low-cost housing projects as well as the provision of assistance for national disasters such as floods.

Corporate Social Responsibility Spend 2014



Alignment to overall national goals

All CSR-related projects that AfriSam engages in are aligned with the development strategies of the national governments of those particular countries. For the focus area of education, the target is to improve the quality of education in order to address the skills shortage problem which the region is faced with, specifically in scarce-skills sectors such as engineering and mathematics. The objective for the focus area of conservation is to support projects or initiatives that contribute to the preservation of the natural environment to ensure availability of resources for future generations.



# SUSTAINABILITY

## Umsilinga Primary School Hall

AfriSam has been involved with land acquisition and the construction of a new hall at the Umsilinga Primary School, within the Umsunduzi Municipality in Kwazulu-Natal Province. The company spent more than R5 million in land acquisition, renovation and the construction of a new hall for the school. The primary school was located on a private property, therefore the land had to be first secured before any building work could begin to improve school infrastructure.

The new school hall will be used for school and community activities, thus benefitting the whole community.

## New facility for Hoofweg Learning and Resource Centre

AfriSam has contributed R3 million towards the construction of Hoofweg Community Learning Centre based at the Wes Bank Primary School premises in the Western Cape. This learning centre provides the surrounding schools and the community with a facility for educational research and ABET training, and incorporates a library.

As the project required a total investmet of R4.8million, the Airports Company of SA was the second largest donor with an amount of R1,6million.

## KwaZulu- Natal Computer Library Project

With eLearning becoming one of the pillars to deliver future curriculum at basic schooling level, AfriSam found it appropriate to join hands with public libraries in Montlands, Ladysmith and Newcastle to improve existing Information Technology (IT) facilities. This investment will benefit schools as well as upskill local communities in computer skills, improving job prospects.

## Rethabiseng Agricultural Project

AfriSam has invested in the Rethabiseng agriculture co-operative because the project is creating job opportunities, eradicating poverty and provides food security to the community of Bronkhorstspuit in Gauteng. The company began its relations with Rethabiseng in 2009 and in 2011. AfriSam invested R4, 3 million and contracted in Food and Trees for Africa to assist with developing the agricultural project into a viable and sustainable organic farming operation. The need for food security and sustainable livelihoods is of importance to economic growth and development in the Rethabiseng Township. The project will enable the community farmers to become active participants in the mainstream economy. About 40 seasonal job opportunities have been created. This project has won a number of national and provincial awards including the 2013 Young Farmer Award and Best Young Farm Worker, 2012 Female Farmer of the Year Award, Agri-Business Woman of the Year Award and the Nestle Community Nutrition Award.

## Kutlwanong Home Craft Development – Gauteng

AfriSam funds the Kutlwanong Home Craft Development projects which aims to empower marginalised individuals and communities to improve their lives through equipping them with life skills in sewing and catering. The project also focuses on developing entrepreneurial skills as a form of empowering its participants to be self-reliant and self-employed. About 66 trainees are trained every year, enabling participants to generate an income from their new skills. The courses offered are sixteen weeks long and accredited by the services SETA.

The Trust was registered in 2001 and between 2001 and 2014 over 1 000 students have been trained at Kutlwanong.

## Tanga Cement community development

In Tanzania, Tanga Cement continued to support the local communities by focusing on four main areas: Education, Health, Community Development and the Environment.

Tanga Cement renovated eight classrooms, two toilet blocks as well as teachers’ office at Saruji primary school as part of its drive to improve educational facilities in the country. Two classrooms with toilets were constructed at the Kibong’oto Secondary School in the Kilimanjaro region. We also constructed classrooms and laboratories and donated desks in various areas within the Tanga region. Our partnership with NGO Read International led to the refurbishment of libraries and provision of books in three secondary schools in Coast, Dar es Salaam and Lindi regions. We also supported Rosmini Secondary School, Tanga Technical School and Comfort Pre and Primary School with cement and cash.

On the Health front, Tanga Cement constructed six toilets for the Kasera primary school in Tanga. Before this donation, the school had one toilet for more than three hundred pupils. The single toilet was a health hazard, especially during the rainy seasons as water was flooding from the toilet pits to the school compound.

The company is also involved in the construction of a hospital ward for Handeni District hospital in the Tanga region.

As part of the Community Development initiatives, we have supported various community development projects by donating cash and items. Cash was contributed to support various community development projects in the Tanga region, with the police department being supported with an electricity connection to the company renovated police staff houses.

On the environmental side, we continue to be involved with Friends of Serengeti, the NGO that deals with environmental conservation in the Serengeti and Tarangire national parks. Tanga Cement donated cement which was used to repair trenches as well as construction of guards’ stations.







# SUSTAINABILITY

## Planet

### Environmental Performance

In recognising the importance of our role in conserving the environment, one of our core values is ‘Planet’, reflecting our commitment to adopting a responsible approach. We published our 1<sup>st</sup> environmental policy in 1994 based on the principles of the International Chamber of Commerce’s Business Charter for Sustainable Development. Since then, much progress has been made as we have pioneered a number of industry firsts. We review and update this policy annually and commit ourselves to its principles.

### Environmental Roadmap

To ensure that we retain our industry leadership status in the area of sustainability while striving towards our company vision, AfriSam has developed a 5-year environmental roadmap.

Using 2012 as a baseline, the environmental roadmap stipulates annual incremental improvement in the following focus areas:

- Emissions reduction
- Energy and alternative fuel resources (AFRs)
- Water conservation
- Waste Management
- Biodiversity conservation

We measure our performance against the 5-year roadmap to ensure that we conduct our business in an environmentally-responsible manner and that we continuously reduce the impact of our business activities on the environment. The roadmap is dynamic and takes into consideration changing legal requirements.

### Waste Management

Waste minimisation begins with procurement policies that ensure the right amount of raw material is being brought in. AfriSam always tries to ensure that the correct amounts of raw materials are sourced so that waste is kept to a minimum.

In order to reduce waste generated at site, it is important that all operations have accurate information about the types of waste that they generate and that concrete plans are in place to reduce, re-use or recycle waste. To this effect, during 2014 all operations completed a waste inventory in order to create a baseline of waste generated on site. In line with the environmental roadmap targets for 2014 all aggregate and cementitious operations began measuring their waste per streams and recycled or re-used at least 70% of their top three waste streams.

### Biodiversity conservation

In terms of mining, both for raw materials for cement and for aggregate, by adopting the principles of the International Chamber of Commerce “Business Charter for Sustainable Development”, AfriSam reconciles the “finiteness” and, as such, non-sustainability of our mineral resources with the policy goal of supporting “sustainability”. Planning and foresight govern our surface mining, and the subsequent rehabilitation of mines is a land use transformation that not only contributes to current needs for construction materials, but also allows the return of the mined land to a new land use once mining operations have ceased.

We have site-specific biodiversity management plans that are reviewed every five years. We are gaining traction with improvements on aspects such as concurrent rehabilitation. Our rehabilitation programme includes alien vegetation removal/eradication and we are continuously raising our operations’ awareness of areas with sensitive biodiversity.

All AfriSam mines operate in terms of approved Environmental Management Programmes that encourage optimal utilisation of resources. A Trust Fund provides for rehabilitation on closure to a positively useful, self-sustaining

landform. Typically this includes the development of office parks, shopping complexes, sports facilities, residential areas, water storage or even landfills for waste generated by surrounding communities.

### Water Conservation

Discharge of water is kept to a minimum where possible and fresh water consumption has been significantly reduced through recycling of water on-site. Measurement of all incoming, outgoing and recycled water streams have been successfully implemented. All operations have also successfully applied for a water use licence at appropriate operations. Determining the company’s exposure to water shortage and identifying the risks will become the focus for the next few years.

### Emissions reduction

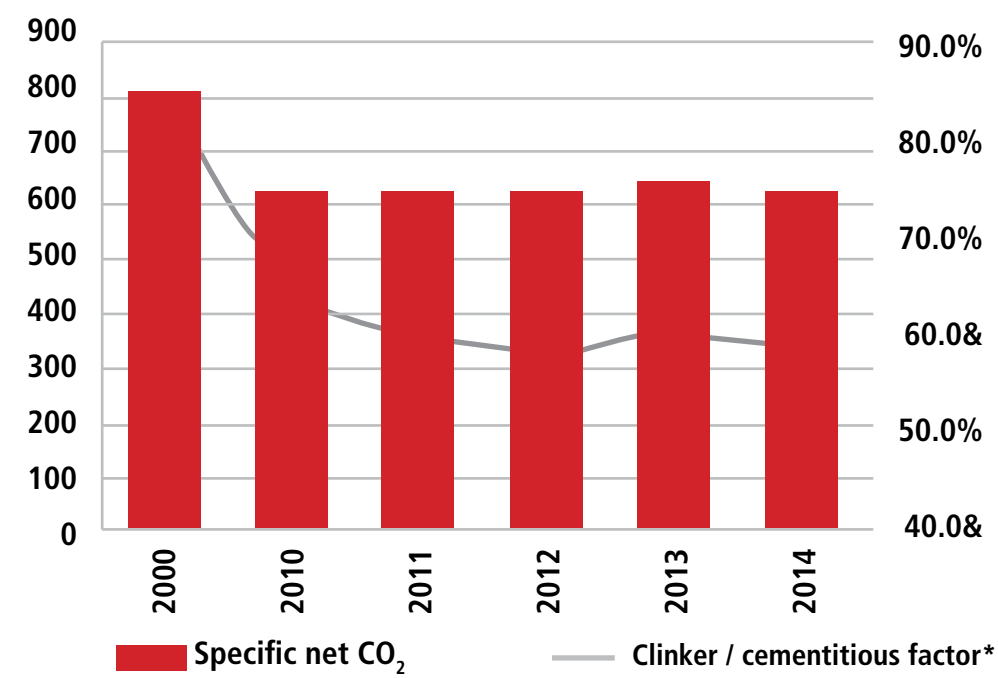
AfriSam launched ‘Project Green Cement’ in early 2000, signalling the start of the drive towards a low CO<sub>2</sub> (carbon dioxide) product range. The increased use of selected mineral component cement extenders, mainly by-products from other industries, and careful selection and blending of these mineral components reduces the clinker content of the cement – clinker being the most energy intensive component of the cement production process.

The Green Cement product range has allowed AfriSam to reduce its specific CO<sub>2</sub> emissions (the CO<sub>2</sub> produced per ton of cement) by more than 30% since 1990. Other benefits of the Green Cement product range are reduced limestone mining (a non-renewable resource) and a subsequent reduced mining footprint – reduced limestone transportation, reduced crushing and raw meal milling – reduced fuel consumed per ton of cement produced.

The global cement industry produces an estimated 5% of total man-made CO<sub>2</sub> emissions. AfriSam have voluntarily committed to a reduction target and a programme of eco-efficiency to minimise their impact.

As a result of on-going research, AfriSam’s Eco Building Cement has a carbon (CO<sub>2</sub>) footprint of 442g/kg, which is almost half of the world average. It also complies with the SANS50197 cement specification for common cements.

## Specific net CO<sub>2</sub> emissions (kg CO<sub>2</sub>/t cem)



Future emission mitigation projects

AfriSam has made significant strides in reducing its overall CO<sub>2</sub> footprint and will continue on this path. As an example of a future mitigation project, the generation of electricity from waste heat recovered from the kilns is currently being considered. To this effect, a bankable feasibility study has recently been completed for a waste heat recover project at our Ulco Cement operation in the Northern Cape.

Other emissions

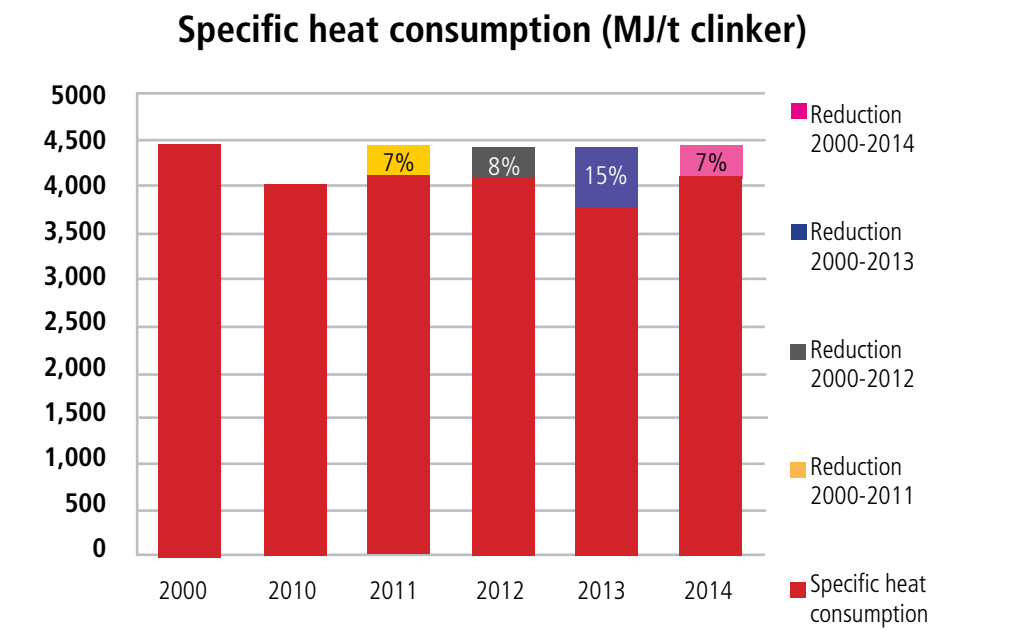
AfriSam has pioneered cement kiln emissions improvement in Southern Africa and has chalked up a number of industry firsts, including:

- The first cement producer to install ‘Continuous Emission Measuring’ (CEM) equipment capable of measuring 13 gas streams on a continuous basis.
- The first in the industry to install bag-house filter technology to control kiln emissions.
- The first in the industry to begin non-compulsory annual emissions monitoring.

The most recent example of AfriSam’s emission control efforts is the installation and commissioning of a bag-house at AfriSam’s Ulco Cement operation in the Northern Cape Province. In 2011, AfriSam’s Board of Directors approved the introduction of bag filter technology at Ulco, recognising that this was the most responsible decision to take. A robust technical investigation identified the precise technology required to achieve current and reduced emission targets set for the site and the installation was commissioned in September 2013. The technology ensures that particulate matter emission levels remain below 30mg/Nm<sup>3</sup>, comfortably meeting legislated requirements for the foreseeable future. This initiative won AfriSam the 2013 Industrial Award at the National Association for Clean Air (NACA) - in recognition of its contribution to air quality improvement.

Energy and alternative fuel resources (AFR)

Specific thermal energy consumption has been on a positive downward trend from early 2000. In 2014 specific thermal energy consumption was 7% lower than in 2000. When compared to 2013 the increase in heat consumption was mainly due to an increase in clinker production during 2014 as a result of product demand which required the utilisation of equipment with higher specific energy consumption. This impacted consumption negatively.



Electrical energy consumption has generally shown a significant steady decrease from 2000. In 2014 when compared to 2000 there was a 15% reduction in consumption. This was attributed to equipment and process improvements. The increase in consumption when compared to 2013 is predominantly due to a finer product milling required for the new product portfolio.

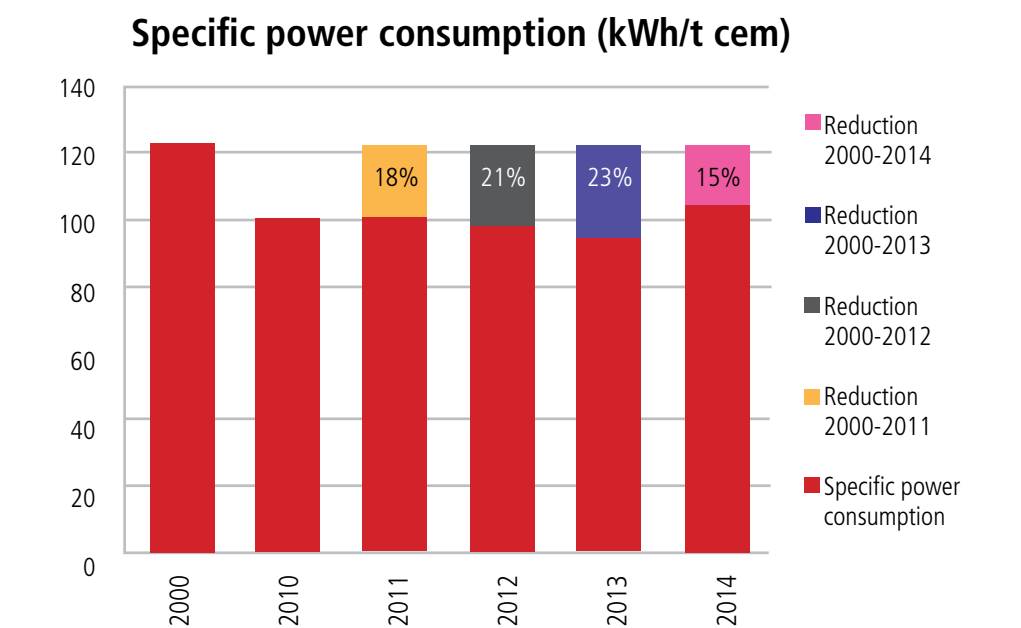
Alternate fuels and resources

AfriSam is constantly investigating sources of suitable alternate fuels and resources for usage. In general the cost for co-processing in kilns is still considerably higher than waste disposal to landfills but this has begun to change significantly, especially in the last two years. It is expected that the alternate fuels market will begin to grow. AfriSam currently has approval for the use of alternate fuels and raw materials in kiln 5, kiln 2 and kiln 3. The company is currently making use of tyres as alternative fuels at its Ulco and Dudfield cement operations.

A large focus going forward will be:

- Expediting trials on prospective alternate fuels.
- Continuing to engage with suppliers on new fuel streams available.
- Continuing to engage on waste tyre allocations for kilns.
- The utilisation of biomass from invader species as an energy source. This project is currently in a trail phase.

AfriSam recognises the universal right of present and future generations to an environment that is not harmful to human wellbeing. AfriSam is committed to continuously improving its environmental performance and providing a positive contribution to sustainable development.

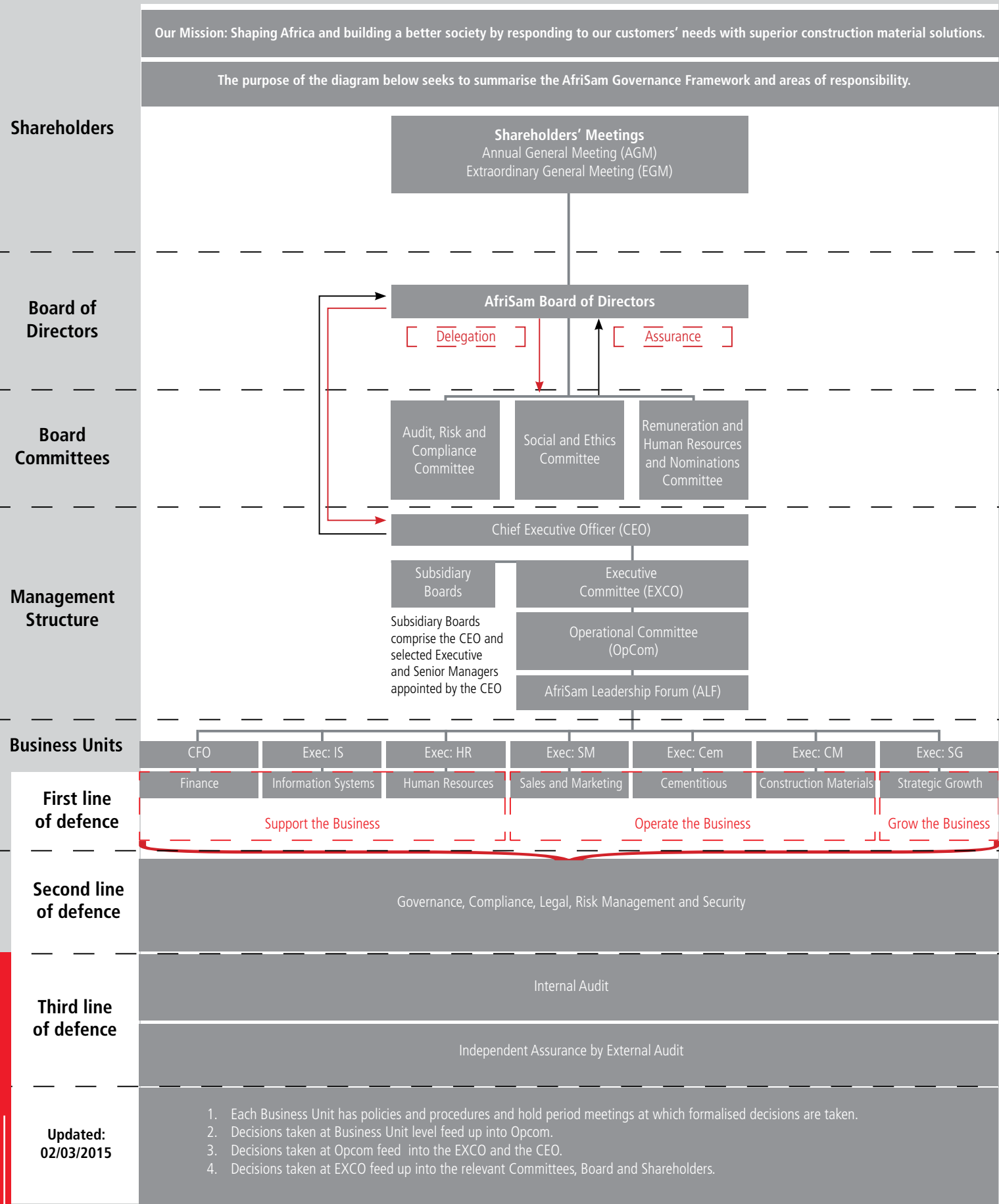




# CORPORATE GOVERNANCE REPORT



# GOVERNANCE FRAMEWORK AND ORGANISATIONAL STRUCTURE



AfriSam is a privately owned company. Its Shareholders are:

1. Major Shareholders

• GEPP

• Bowwood & Main No.4 (Pembani)

2. Minority Shareholders

• Cemasco

• Bunker Hills

The Business and Affairs of the company are managed under the direction of the Board, which has the authority to exercise all power and performing functions of the company as defined in the Memorandum of Incorporation and the Shareholders' Agreement.

The Board has established three committees. The Audit, Risk & Compliance Committee and Remuneration, HR and Nominations Committees are 'accountable' committees whereas the Social and Ethics Committee is an oversight committee. Each committee is governed by a Charter approved by the Board.

The Board has delegated authority to the CEO through a delegation of authority subject to formal limits required to operate the business.

The CEO, CFO and all the Executive Managers are members of the Executive team and attend EXCO meetings.

The OpCom consists of senior managers reporting directly to Exco Members and invited guests. ALF members consist of the top 3 tiers of the organisation and invited guests.





# AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The AfriSam Group Audit, Risk and Compliance Committee (“the Committee”) is a formal statutory committee in terms of the Companies Act and a committee of the board that functions within documented terms of reference and complies with all relevant legislation, regulation and governance codes. This report of the Audit, Risk and Compliance Committee is presented to shareholders in compliance with the requirements of the Companies Act.

## Role of the Committee

The Committee has an independent role with accountability to both the Board and to shareholders. The Committee’s responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by the King III Report, as well as additional responsibilities assigned by the Board.

The responsibilities of the Committee are as follows:

### Integrated reporting

- Review the annual financial statements and ensure compliance with International Financial Reporting Standards.
- Review and approve the appropriateness of accounting policies, and the effectiveness of internal financial controls.
- Perform an oversight role on the Group’s integrated reporting and consider factors and risks that could impact on the integrity of the integrated report.
- Review sustainability disclosures in the integrated report and ensure it does not conflict with financial information.
- Consider external assurance of material sustainability issues.
- Recommend the integrated report for approval by the Board.

### Combined assurance

- Ensure the combined assurance model addresses all significant risks facing the Group.
- Monitor the relationship between external and internal assurance providers and the Group.

### Finance function

- Consider the expertise and experience of the Chief Financial Officer.
- Consider the expertise, experience and resources of the Group’s finance function.

### Internal audit

- Oversee the functioning of the internal audit department and approve the appointment and performance assessment of the Group Head of Internal Audit.
- Approve the annual internal audit plan.

- Ensure the internal audit function is subject to regular quality review as appropriate.

### Risk management

- Ensure the group has an effective policy and plan for risk management.
- Oversee the development and annual review of the risk management policy and plan.
- Monitor implementation of the risk management policy and plan
- Make recommendations to the Board on levels of risk tolerance and risk appetite.
- Ensure risk management is integrated into business operations
- Ensure risk management assessments are conducted on a continuous basis.
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensure that management considers and implements appropriate risk responses.
- Ensure continuous risk monitoring by management.
- Express the committee’s opinion on the effectiveness of the system and process of risk management.

### External audit

- Recommend the external auditor for appointment by shareholders.
- Approve the terms of engagement and remuneration of the auditor.
- Ensure the appointment of the auditor complies with relevant legislation.
- Monitor and report on the independence of the external auditor
- Review the quality and effectiveness of the external audit process.
- Ensure a process is in place for the committee to be informed of any reportable irregularities.

## Constitution of the Committee

The Committee’s charter is approved annually by the Board. The charter stipulates the role, function, responsibilities and duties of the Committee as delegated by the Board. The Committee abided by its charter during the reporting period.

## Composition of the Committee

The Committee comprised four non-executive directors during the period. These directors are all suitably skilled with sufficient qualifications and skills to fulfil their duties. The Committee is elected by shareholders at the annual general meeting.

The following directors served on the committee during the period under review:

Director	Qualifications
Ms F Jakoet (Chairman)	BSc, CA (SA)
Mr E Nesane	LLB
Mr T Wagner	CA (SA), MBL
Mr R Wessels	BCom, LLB, CFA Charterholder

The Committee met four (4) times during the year ended 31 December 2014. The following is a summary of the attendance at the Committee Meetings:

Member’s Name	Four meetings were held in 2014
Ms F Jakoet*	4/4
Mr T Wagner	4/4
Mr E Nesane	3/4
Mr R Wessels	2/4

\*Chairman

## Internal audit

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. The role of internal audit is contained in the internal audit charter. The charter is reviewed annually and is aligned with the recommendations of King III.

Internal audit facilitates the combined assurance process and is responsible for the following:

- Evaluating governance processes, including ethics.
- Assessing the effectiveness of the risk methodology and internal financial controls.
- Evaluating business processes and associated controls in accordance with the annual audit plan.

The internal audit function is established by the Board and its responsibilities are determined by the committee. The Group Head of Internal Audit reports to the Chairman of the Audit, Risk and Compliance Committee and administratively to the Chief Executive Officer. The Group Head of Internal Audit has direct and unrestricted access to the Chairman of the Committee. The Group Head of Internal Audit is appointed and removed by the Committee. KPMG were the appointed internal audit resource of the company.



## Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against misstatement or loss.

While the Board of Directors is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management. The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, and clearly defined lines of authority and accountability. They also include cost and budgeting controls, and comprehensive management reporting.

## Internal financial controls

The Committee has considered the results of the formal documented review of the Group's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit function during the 2014 year. The Committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the Board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

## External audit

The Committee appraised the independence, expertise and objectivity of EY as the external auditor, as well as approving the terms of engagement and the fees paid to EY.

The external auditor has unrestricted access to the group's records and management. The auditor furnishes a written report to the Committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the Committee.

The Group has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence.

In addition, the Committee considered the requirements of King III, among other factors, and is satisfied that the external auditor is independent of the company.

## Activities of the committee

The Committee met four times during the financial year. Members of the Committee, the external auditor and the Group Head of Internal Audit may request a non-scheduled meeting if they consider this necessary. The Chairman of the Committee will determine if such a meeting should be convened.

Minutes of the meetings of the Committee, except those recording private meetings with the external and internal auditors, are circulated to all Committee members and supplemented by an update from the Committee Chairman at each Board meeting. Matters requiring action or improvement are identified, and appropriate recommendations made to the Board.

The Chairman of the Committee attends all statutory shareholder meetings to answer any questions on the Committee's activities.

The Committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

- Recommended to the Board and shareholders the appointment of the external auditors, approved their terms of engagement and remuneration, and monitored their independence, objectivity and effectiveness.
- Determined the nature and extent of any non-audit services that the external auditor may provide to the group and pre-approved any proposed contracts with the external auditors.
- Reviewed the Group's internal financial control and financial risk management systems.
- Monitored and reviewed the effectiveness of the Group's internal audit functions.
- Reviewed and recommended to the Board for approval the annual financial statements.

## Evaluation of Chief Financial Officer and the finance function

The Committee is satisfied that the expertise and experience of the Chief Financial Officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience and the Board's assessment of the financial knowledge of the Chief Financial Officer.

The Committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

## Approval of the Audit, Risk and Compliance Committee's report

The Committee confirms that it has functioned in accordance with its terms of reference for the 2014 financial year and that its report to shareholders has been approved by the Board.



**F Jakoet**  
*Audit, Risk and  
Compliance Committee*

# SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (“the Committee”) is pleased to present the Committee’s report for the 2014 financial year.

The Committee is constituted as a statutory Committee of the Board of Directors of the Company (“the Board”) in terms of the Companies Act 71 of 2008 (“the Companies Act”) with responsibilities as delegated to it by the Board, and as stipulated in the Companies Act and Regulations.

- The Committee is governed by the following:
- The principles of the King Report on Corporate Governance for Southern Africa of 2009 (“the King III Report”);
  - the provisions of section 72(4) of the Companies Act 71;
  - the Company’s Memorandum of Incorporation (“MoI”); and
  - the Committee Charter (“the Charter”).

## Principal functions

The Committee served in an advisory capacity to the Board and assisted the Board to discharge its duties in ensuring that AfriSam remains a committed corporate citizen. The commitment to sustainable development requires that the company conducts its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The primary role of the Committee is to supplement, support, advise and provide guidance on the effectiveness of the efforts of Management in respect of sustainable development, social and ethical management towards the following aspects:

- Internal controls to combat corruption and prevent fraud;
- Consumer relationships and consumer protection laws;
- Occupational Health and Safety including Occupational hygiene and public health;
- Goals towards development and diffusion of environmentally friendly technologies;
- Compliance, Reputation and Risks;
- HIV/AIDS;
- Ethics Management;
- Corporate Social Investment and Good corporate citizenship;
- Environmental Management;
- Sustainability strategy and framework;
- Ethical standards as articulated in the Code of Ethics and Business Conduct; and
- Good Corporate Governance and leadership.

In addition, the Committee assists the Board to fulfil its governance role, towards Corporate Social Initiatives and other related matters, Skills Development, Preferential Procurement, Broad-Based Black Economic Empowerment, the governance of sustainability matters and enterprise

development, in order to ensure that the company complies with its approved policies, relevant legislation, industry charters and best practices.

### Constitution of the Committee

The Committee has a Charter which has been approved by the Board and is reviewed annually. The Charter stipulates the role, function, responsibilities and duties of the Committee as delegated by the Board and required in terms of the Companies Act. The Committee adhered to its Charter during the reporting period.

## Composition of the Committee

During the 2014 financial year, the Committee comprised the following members:

Director	Qualification
Mr JHN Strydom (Chairman)	CA(SA), MCom
Mr P Nhleko	BSc Eng, MBA
Dr S Olivier	BSc (Hons), MSc , PhD
Mr E Nesane	LLB

The Committee comprised Executive and Non-Executive Directors all of whom had sufficient qualifications and experience to fulfil their duties.

The Committee met four (4) times during the year ended 31 December 2014. The following is a summary of the attendance at the Committee Meetings:

Name	Four meetings were held in 2014
Mr JHN Strydom (Chairman)	4/4
Mr P Nhleko	2/4
Dr S Olivier	4/4
Mr E Nesane	0/4

Activities performed by the Committee during the 2014 financial year pursuant to the Committee discharging its duties and responsibilities through the reports submitted to the Committee members by management were:

- Reviewed and monitored sustainability trends, issues and ensured that the company’s sustainability plan was aligned to future sustainability imperatives;
- Provided guidance on the identification of an appropriate management framework for Sustainability, Social and Ethics Risks that could negatively impact on the sustainability of the business and/or the good reputation of the company;

- Ensured that ethics were infused in the company’s culture so as to become the way in which employees behave and do business;
- Provided guidance on the initiatives required to demonstrate meaningful commitment to the Broad-Based Black Economic Empowerment Act, social and economic development and transformation;
- Monitored the sufficiency of the policy frameworks that are required to address the 10 principles set out in the United Nations Global Compact Principles and the OECD recommendations regarding corruption and prevention of fraud;
- Monitored business sustainability risks and the suitability of associated risk management strategies;
- Monitored the quality of Stakeholder relationships with reference to the Stakeholder Engagement Framework which was approved by the Board during the year under review;
- Reviewed and monitored progress toward the company’s consumer relationships, including the company’s advertising, public relations and compliance with consumer protection laws;
- Reviewed and monitored progress toward achievement of labour and employment best practices including the company’s standing in terms of the International Labour Organization Protocol on decent work, child labour and working conditions;
- Reviewed and monitored the implementation of the company’s sustainability policy framework;
- Reviewed and monitored the company’s promotion of equality, prevention of unfair discrimination and reduction of corruption;
- Reviewed and monitored the company’s contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- Reviewed and monitored the company’s record of sponsorship, donations and charitable activities; and
- Ensured that Management formulates and implemented policies, principles and procedures that foster the sustainable growth of the company.

## Planning

The Committee:

- Caused Management to compile the company's Social, Ethics and Sustainability Policies and strategy;
- Reviewed and considered the company's position and practices on significant issues of Ethics and Transformation;
- Caused appropriate Ethics, anti-bribery, anti-corruption and related policies to be redrafted/compiled and updated;
- Reported matters within its mandate to the Board as occasion required it to do so; and
- Ensured that Management set a strategy, establish goals and integrated sustainability into the day-to-day business activities across the board.

## Oversight

The Committee:

- Assessed the effectiveness of transformation through presentations submitted at meetings by Management;
- Ensured that the company maintained its good corporate citizenship in order to enhance the reputation of the company;
- Reviewed the company's annual Employment Equity Report and ensured that Management maintained good employment relationships and contribution toward the educational development of employees; and
- Reviewed and monitored the impact of the company's activities, products and services on the environment as well as monitoring the company's occupational health, safety and public health.

## Internal Controls

The Committee:

- Reviewed the implementation of the annual Ethics, Social and Sustainability Plan and Management's systems to monitor compliance with the relevant laws, company policies, strategies and guidelines;
- Identified and ensured compliance with transformation related legislation;
- Oversaw the adequacy of internal controls and procedures related to Ethics, Social and Sustainability matters; and
- Reviewed litigation issues and other risks or exposures deemed appropriate by the Committee.

## Reporting

The Committee:

- Reported on the deliberations and outcomes of each Committee Meeting to the Board at the first Board Meeting held after each Committee meeting;
- Caused reporting measurement standards on each of its statutory activities to be compiled by Management as well as the compilation of an overall reporting framework to be utilised by the Committee to report on its activities; and
- Compiled this report on its activities now submitted to the Shareholders at this Annual General Meeting.

## Other Committee Responsibilities

The Committee monitored procedures for the receipt, retention and treatment of complaints received by the company regarding Ethics, Social and Sustainability matters. The Committee recommended the approval by the Board for the company to retain the members of the United Nations Global Compact ("UNGC").

## Committee Effectiveness

The Committee reviewed its Charter in 2014 and was satisfied that the Charter continued to meet the requirements of the Companies Act, the King III Code and the Mol.

The Committee conducted a Self-Evaluation exercise and ensured the implementation of actions to address all the identified gaps.



**JHN Strydom**  
Chairman  
Social and Ethics Committee

# CORPORATE GOVERNANCE

AfriSam (South Africa) (Pty) Limited is a private company subject to the requirements of the Companies Act 71 of 2008, as amended and the Regulations thereto, (“the Act”) which came into effect on 1 May 2011. AfriSam aims to be fully compliant with the Act within the transition periods set out in the legislation.

AfriSam is committed to applying good corporate governance principles in a way that will lend credibility to its proud history of providing service to the building and construction industry for more than three quarters of a century. As such, AfriSam supports the principles and practices set out in the King Report on Corporate Governance in South Africa 2009 (King III) and assessed its compliance level and to King III during the year under review. An exercise to benchmark the company’s practices against the principles set out in King III has been undertaken and the details are set out on page 87 – 90

AfriSam believes in the concept of an Integrated Annual Report which aims to show how sustainable business practices will ensure the long-term viability of the company. It measures its achievements against the Index of the Global Reporting Initiative (GRI) G3, as set out on page 97 – 103

## Board of Directors

The Board of Directors (Board) of AfriSam is committed to the principles of business integrity, transparency, ethics and corporate governance. The Board has a fiduciary duty to act in good faith, with due care and diligence, and in the best interests of the company and its stakeholders. The Board oversees processes which ensure that each business area and every employee will be responsible for acting in accordance with sound corporate governance principles in their relationships with management, shareholders and other stakeholders.

## Role of the Board

The Board has a formal charter which sets out its role and responsibilities. The charter complies with the recommendations of King III and includes the Board’s responsibility to:

- ensure that the company adheres to law, high standards of ethics and corporate behaviour;
- ensure that the company has appropriate risk management/regulatory compliance policies in place;
- review the company’s code of conduct, social transformation, ethical, safety, health and environmental management policies and procedures;
- oversee four standing committees, i.e. (1) Audit, Risk and Compliance Committee, (2) Remuneration, Human Resources and Nomination Committee, (3) Social and Ethics Committee, (4) Mergers and Acquisitions Committee in addition to one ad hoc committee, the Interim Tax Committee.

Given that the role of business is to create value, the Board is responsible for the positive performance of the company in creating value. In doing so, the Board should appropriately consider the legitimate interests of all its stakeholders. Having regard to its role, the Board will direct and supervise the management of the business and affairs of the company, including in particular:

- ensuring that the company goals are clearly established and that strategies are in place for achieving them;
- establishing policies for strengthening the performance of the company and inter-alia ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- monitoring the performance of management;
- appointing the Chief Executive Officer (CEO), setting the terms of the CEO’s employment contract and where necessary, terminating the CEO’s employment with the company;
- ensuring that procedures and practices are in place that protect the company’s assets and reputation;
- deciding on whatever steps are necessary to protect the company’s financial position and ensuring that it has the ability to meet its debts and other obligations as required;
- ensuring that the company’s financial statements are true and fair and otherwise conform to law.
- ensuring that the company adheres to law, high standards of ethics and corporate behaviour;
- ensuring that the company has appropriate risk management and regulatory compliance policies in place;

- regularly assessing the company’s performance and effectiveness as a whole, and that of individual directors, including the CEO;
- ensuring that the company has developed a succession plan for the executive directors and senior management.

In the normal course of events, day to day management of the company will be in the hands of management. The Board will satisfy itself that the company is achieving the company goals.

## Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separate and the composition of the Board ensures a balance of authority precluding any one director from exercising unfettered powers of decision making.

Both the Chairman and the Deputy Chairman will be non-executive members. The Board is responsible for appointing the Chief Executive Officer (CEO) who will be an employee of the company. The appointment of the CEO as a director or member of companies / associations not directly connected to the normal affairs of the company, are to be agreed with the Board.

## Group Secretary

The appointment of the Secretary is made on the recommendation of the CEO and must be approved by the Board. The Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. All directors have unlimited access to the services of the Company Secretary, who is responsible to the Board for ensuring that proper corporate governance principles are adhered to.

## Composition of the board

The company has a unitary board comprising executive and non-executive directors. The following Directors served on the Board during 2014:

- Mr FP Nhleko
- Mr J Strydom
- Dr S Olivier
- Mr L Serfontein
- Mr E Nesane
- Mr T Wagner
- Ms F Jakoet
- Mr J Molobela
- Mr R Wessels
- Mr M Muller (alternate director to to Mr J Strydom)

## Rotation and Retirement

In terms of the company’s constitutional documents, all directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Executive Directors save for the Chief Executive Officer, have no fixed term of appointment, as their tenure is linked to their employment contracts with the company.

## Board Performance

The Board met quarterly and held one session devoted to strategy and business planning. The Board addressed all matters requiring its attention in terms of the Board Charter and Annual Workplan.

# RESPONSIBILITY REPORTING

### Afrisam Board of Directors

Director	Board Meetings held in 2014			
	27.03	29.05	21.08	20.11
Mr FP Nhleko	√	√	A	√
Dr S Olivier	√	√	√	√
Mr L Serfontein	√	√	√	√
Mr J Molobela	√	√	√	√
Mr T Wagner	√	√	√	√
Mr E Nesane	√	A	A	√
Mr J Strydom	√	√	√	√
Mr R Wessels	√	√	√	√
Mr M Muller#	√	√	√	√
Ms F Jakoet	√	√	√	√

√ - represents Present                      A – represents Absent or Apology                      # - represents Alternate Director

#### Board Committees

The Board has established a number of committees to assist it in discharging its responsibilities. All Board committees have formal charters which define the respective delegated terms of reference. Each committee reports to the Board. The committees are chaired by independent or non-executive Directors, supported by the Company Secretary and are free to take independent professional advice as and when necessary. All non-executive directors are remunerated for their services rendered as members of the committees. The establishment of any committee does not exonerate the Board from its legal responsibilities and the Board is required to ratify and/or endorse the recommendations from the Committees.

At present there are four standing Board Committees:

- Audit, Risk and Compliance Committee
- Remuneration and Human Resources Committee
- Social and Ethics Committee
- Mergers and Acquisitions Committee

The Board may establish ad hoc committees for the fulfilment of a specific mandate. To this end, the Board established the Interim Tax Committee during 2013 and this Committee continued to operate during 2014 in fulfillment of its mandate.

### Audit, Risk and Compliance Committee

This Committee provides a forum for the effective communication between the Board and internal and external assurance providers.

Members: Ms F Jakoet (Chairman), Mr E Nesane, Mr T Wagner and Mr R Wessels.

#### The Committee reviews:

- the annual financial statements prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control;
- the effectiveness of the risk management process and the significant risks facing the company;
- the efficiency and effectiveness of the external and internal audit functions;
- The effectiveness of systems for monitoring compliance with laws, regulations and governance frameworks.

The Committee ensures the integrity of the company’s integrated report.

Membership of the committee must be at least three members and not more than five members. Members are nonexecutivedirectors with a financial background and considerable expertise and experience with regard to accounting and auditing. The Board appoints the Chairman of the Audit, Risk and Compliance Committee.

The Committee meets as frequently as considered appropriate but normally, no fewer than four times a year. The independent External Auditors and Head of Internal Audit usually attend the meetings and to ensure that their independence is not impaired, have unrestricted access to the Committee and to its chairman. Ad hoc meetings are held as required.

#### Audit, Risk and Compliance Committe

Committee Member	Committee Meetings held in 2014			
	20.03	28.05	20.08	19.11
Ms F Jakoet	√	√	√	√
Mr T Wagner	√	√	√	√
Mr E Nesane	√	√	A	√
Mr R Wessels	√	A	√	√

√ - present                      A – Absent or Apology

### Remuneration, Human Resources and Nominations Committee

This Committee evaluates and recommends for Board approval, all aspects of the company’s Human Resources and Remuneration policy and the appointment of non-executive directors.

Members: Mr T Wagner (Chairman), Mr J Strydom, Mr FP Nhleko and Mr J Molobela

The purpose of the Remuneration, Human Resources and Nominations Committee (“the Committee) is to consider, investigate, review and recommend for Board approval, any material changes to the company’s existing remuneration policy, the Employee Share Scheme and Incentive Bonus Scheme with the objective of ensuring that the company’s employee remuneration accords with remuneration practices in South Africa and supports the company’s commitment to attracting and retaining high-performance people.

The Committee reviews, on an annual basis, the Chief Executive Officer’s remuneration package and with the Chief Executive Officer, the Executive Committee Members’ Remuneration Packages as well as consulting with the Executive Committee on the overall annual remuneration increases proposed for the company.

The Committee previews, nominates and endorses potential candidates elected by Share holders or otherwise, to take up vacant positions as Directors or as members of the committees of the Board, as well as the position of Chief Executive Officer.

The Committee regularly reviews the structure, size, composition and mix of skills and experience of the Board and its committees and makes recommendations to the Board on such matters.

The Chief Executive Officer discusses and reports to the Committee on the Executive Committee Members to be replaced or appointed to the said Committee as well as succession planning for Senior Managers.

The minimum number of Committee Members at any given time shall not be less than three Non-Executive Directors. The Chairman of the Committee is appointed by the Board.

The Committee has to meet at least twice per annum and also as and when called for by the Members, requested by the Chief Executive Officer or as otherwise directed by the Board. The Committee met five times during 2014.



## 58

Committee Member	Committee Meetings held in 2014				
	18.02	24.03	23.05	20.08	17.11
Mr T Wagner	√	√	√	√	√
Mr J Strydom	√	√	√	√	√
Mr FP Nhleko	√	√	A	A	√
Mr J Molobela	√	√	√	√	√
Mr M Muller*	√	√	√	A	√

## Social and Ethics Committee

In accordance with the Companies Act, the Board of Directors established a Social and Ethics Committee to assist the Board in ensuring that AfriSam remains a committed corporate citizen. The commitment to sustainable development requires that the company conducts operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The Committee's Charter complies with the provisions of the Companies Act and King 3 and the primary role of the Committee is to supplement, support, advise and provide guidance on the effectiveness of the efforts of Management in respect of sustainable development, social and ethical management towards the following aspects:

- In addition, the Committee assists the Board in the fulfil its governance role, towards Corporate Social and other related matters, Skills Development, Preferential Procurement, the Governance of Sustainability matters and Enterprise Development, in order to ensure that the company complies with its approved policies, relevant legislation, industry charters and best practices.

Committee Member	Committee Meetings held in 2014			
	24.03	23.05	20.08	17.11
Mr J Strydom	√	√	√	√
Mr FP Nhleko	√	A	A	√
Mr E Nesane	A	A	A	A
Dr S Olivier	√	√	√	√
Mr M Muller*	√	A	A	√

## Mergers and Acquisitions Committee

Members: Mr R Wessels (Chairman), Mr T Wagner, Mr E Nesane, Mr M Muller.

While the executive management of AfriSam is responsible for identifying merger, acquisition and disposal opportunities, the Mergers and Acquisitions Committee assists and advises management on such opportunities and all aspects of similar material transactions which are not in the ordinary course of business.

Committee Member	Committee Meetings held in 2014	
	28.02	10.04
Mr R Wessels	√	√
Mr T Wagner	√	√
Mr E Nesane	A	A
Mr M Muller	√	√

Albeit a standing committee of the Board, the Mergers and Acquisitions Committee meets as and when a business opportunity presents for consideration.

## Interim Tax Committee

This Committee was established as an ad hoc committee with a limited tenure, to assist the Board in ensuring that AfriSam complies with all relevant taxation laws.

Members: Mr M Muller, Mr J Strydom, Mr R Wessels, Mr T Wagner, Mr L Serfontein

Committee Member	Committee Meetings held in 2014		
	24.03	28.05	08.09
Mr M Muller	√	√	√
Mr Mr J Strydom	√	A	A
Mr R Wessels	√	A	A
Mr L Serfontein	√	√	√
Mr T Wagner	√	√	√

During the year under review, the Committee provided the Board with assurance that the tax affairs of company and all its associated companies, were up to date and that systems had been implemented to ensure that the company would not fall foul of any taxation provisions.

## Executive Committee

The Chief Executive Officer, acting for and on behalf of the Board and within the limitations of his Delegated Authority, has established an Executive Committee (Exco). Exco is specifically responsible for recommending high level strategy to the Board or Committees of the Board as well as the implementation of high level strategies and policies of the company. Exco also manages the high level business and affairs of the company, prioritising the allocation of capital, technical and human resources, establishing the best management practices and functional standards and monitoring the performance of senior management.

The Exco attendance report card for 2014 was as per the table below:

Committee Member	Committee Meetings held in 2014			
	26.02	05.05	06.08	29.10
Dr S Olivier	√	√	√	√
Ms R Lawrence	√	A	√	A
Mr L Serfontein	√	√	√	√
Mr H Meyer	√	√	√	√
Mr G Naser	√	√	√	√
Mrs L Van der Bank	√	√	√	√
Mr M Chaba	√	√	√	√

√ - represents present    A – represents Absent or Apology

**Executive Committee Sub Committees**

EXCO has established various sub-committees to assist it in executing its mandate of supporting the Chief Executive Officer. The principal ones are (1) the StratMan Committee, (2) the Operational Committee, (3) and the AfriSam Leadership Forum.





# ASSURANCE



Companies have been partially complied with the Board should comprise a balance of power with a majority of Non-Executive Directors. The majority of the Non-Executive Directors should be independent.

The induction and on-going training and development of Directors should be conducted through formal processes.

The evaluation of the Board, its Committees and individual Directors should be performed every year.

The Audit Committee should satisfy itself by the expertise, resources and experience of the company finance function.

Companies have not yet been complied with as decided by the Board. The Board should elect the Chairman of the Board who is an independent Non-Executive Director.

Sustainability reporting and disclosure should be independently assured.

## Plans for 2014

The Protection of Information Act (PoPI) was promulgated in 2013 but the effective date is still to be announced. Companies must comply. A PoPI Implementation Team comprising of selected employees from the affected business areas and an implementation project plan has been compiled. Awareness training will be provided to ensure that all employees are aware of the implications and impact of PoPI on AfriSam and the data processed in the course of business.

Business ethics management within the company will be measured in order to establish a reference point. A business ethics survey amongst the Senior Managers of the company and Exco members. After analysing the results thereof, various measures will be implemented accordingly.

# KING III REPORT'S CODE OF COPORATE PRACTICES & CONDUCT PRINCIPLES

Part	No.	Principle	Apply/ Explain	Status / Comments
1.		Ethical leadership and corporate citizenship		
Tone at the Top	1.1	The board should provide effective leadership based on an ethical foundation	Applied	The Board has a duly approved charter that clearly defines aspects of effective and ethical leadership.
	1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The company has an approved code of ethics and business conduct policy in place.
	1.3	The board should ensure that the company's ethics are managed effectively	Applied	The Social & Ethics Committee oversees the ethics within the company.
2.		Board and Directors		
Tone at the Top	2.1	The board should act as the focal point for and custodian of corporate governance	Applied	Principles of good corporate governance are addressed in the Board Charter. Corporate governance is a standard agenda item. The Board has approved a group governance framework and embraces reporting to stakeholders and integrated reporting.
	2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	The company's strategy is approved by the Board annually. Management also provides a report on inherent risks and mitigation thereof that will ensure achievement of the approved targets.
	2.3	The board should provide effective leadership based on an ethical foundation	Applied	The Board addresses and demonstrates ethical leadership and sets the tone at the top.
	2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The company has a fully-fledged Corporate Social Investment department which invests 2% of NPAT into communities within the areas that the company operates.
	2.5	The board should ensure that the company's ethics are managed effectively	Applied	The Code of Ethics and Business Conduct Policy is overseen by the Social & Ethics Committee.
	2.6	The Board should ensure that the company has an effective and independent audit committee	Applied	The Audit Committee is chaired by an independent Non-Executive Director and all the members are Non-Executives qualified as stipulated in the Companies Act.
	2.7	The Board should be responsible for the governance of risk	Applied	The Board had delegated oversight of risk governance to the Audit, Risk and Compliance Committee.
	2.8	The Board should be responsible for information technology (it) governance	Applied	The IT governance oversight has been delegated to the Audit, Risk and Compliance Committee which addresses this principle every quarter.
	2.9	The Boards hould ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Company Secretary keeps the Boardupdated on the status of compliance with the identified high risk acts.
	2.10	The Board should ensure that there is an effective risk-based internal audit	Applied	The Audit, Risk and Compliance Committee has approved this approach which is in use.
	2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The company has a Stakeholder Engagement Model in place.
	2.12	The Boardshould ensure the integrity	Applied	The Board approved the 2014 Integrated Report on the recommendation of the Audit, Risk and Compliance Committee.
	2.13	The Board should report on the effectiveness of the company's system of internal controls	Applied	The Internal Audit function is charged with the responsibility of evaluating internal controls. The Governance Frameworks clearly outline the internal control tiers within the company.
	2.14	The Board and its directors should act in the best interests of the company	Applied	The Board worked tirelessly to restructure the company and rescue it from a bankruptcy threatening debt, and has turned the company around. Directors declare all conflicts of interest before making decisions.
	2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act	Applied	The Board is fully aware of the business rescue sections of the Companies Act.
	2.16	The Board should elect a Chairman of the Board who is an independent Non-Executive Director. the CEO of the company should not also fulfil the role of chairman of the board	Explain	The Group is chaired by a Director specifically chosen by the Shareholders for his competence in growing businesses exponentially.
	2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	Applied	The Board has appointed the CEO. A delegation of authority framework has been approved by the Boardand implemented.

# RESPONSIBILITY REPORTING

Part	No.	Principle	Apply/ Explain	Status / Comments
Composi- tion of the Board	2.18	The Board should comprise of a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent	Partially Applied	Two Executive Directors and seven Non-Executive Directors, of which three are inde- pendent, form a good balance even though the independents are not a majority.
	2.19	Directors should be appointed through a formal process	Applied	A formal process in terms of the Memorandum of Incorporation is applied.
Director develop- ment	2.20	The induction of and on-going training and development of directors should be conducted through formal processes	Partially Applied	An induction for new Non-Executive Directors exists but there is no formal development program. The Company Secretary has a permanent agenda item on the "Governance Podium" used to provide Directors with governance topical and Director development issues at every meeting.
Company secretary	2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The Company Secretary is qualified, experienced and is competent to discharge duties.
Performance assessment	2.22	An evaluation of the board, its committees and the individual directors should be performed every year	Partially Applied	The Directors do not undergo an individual performance assessment. Evaluations for the Board and Committees are conducted at two year intervals.
Board committees	2.23	The Board should delegate certain functions to well-structured committees but without abdicat- ing its own responsibilities	Applied	Sufficient Committees have been established and all have duly approved Charters.
Group Boards	2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied	The Board approved the Group Governance Framework which has been implemented.
Remuneration of directors and senior	2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	Annual retainer and attendance fees for the Board and attendance fees for Committees. The fees are reviewed and benchmarked annually.
Remuneration Disclosure	2.26	Companies should disclose the remuneration of each individual Director and certain Senior Executives	Applied	Individual Non-Executive Directors' as well as Executive Directors' remuneration is disclosed in the Annual Report.
	2.27	Shareholders should approve the company's remuneration policy	Applied	The Policy has been approved by the Remuneration Committee and adopted at the AGM on 2 December 2013.

Part	No.	Principle	Apply/ Explain	Status / Comments
3.		Audit Committees		
Membership and resources	3.1	The Board should ensure that the company has an effective and independent Audit Committee	Applied	The Board has established an Audit, Risk and Compliance Committee which is fully resourced and well-functioning.
	3.2	Audit committee members should be suitably skilled and experienced independent Non-Executive Directors	Applied	The Chairman is an independent Non-Executive Director. The Committee members have sufficient diverse skills to discharge their responsibilities effectively.
	3.3	The audit committee should be chaired by an independent Non-Executive Director	Applied	Ms Jakoet is an Independent Non-Executive.
Responsibilities of the audit committee	3.4	The audit committee should oversee integrated reporting	Applied	The Audit Committee reviews and approves the Integrated Report and thereafter recommends to the Board for ratification.
	3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied	The Committee has approved a Combined Assurance Model which has been ratified by the Board and has been implemented.
Internal assurance providers	3.6	The Audit Committee should satisfy itself by the expertise, resources and experience of the company's finance function	Applied	The evaluation of the finance function will be conducted in 2014.
	3.7	The Audit Committee should be responsible for overseeing of internal audit	Applied	A formal reporting line to the Chairman of the Audit, Risk and Compliance Committee for the Head of Internal Audit has been implemented.
	3.8	The Audit Committee should be an integral component of the risk management process	Applied	This is clearly defined in the Committee Charter and was applied in 2014 Q1 when a review of the External Auditor was conducted and the outcome thereof ratified by the Board.
External assurance providers	3.9	The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process	Applied	This is clearly defined in the Committee Charter and was applied in 2014 Q1 when a review of the external auditor was conducted and the outcome thereof ratified by the Board.
Reporting	3.10	An evaluation of the Board, its Committees and the Individual Directors should be performed every year	Applied	Audit Committee reports to the Board after each of its quarterly meetings. However, a report to the Shareholders was submitted to the AGM for the first time on 2 December 2013 and would for the second time be submitted on 29 May 2014.
4.		The Governance of Risk		
Management's responsibility for risk management	4.1	The Board should determine the levels of risk tolerance	Applied	The Board has ratified the risk appetite and tolerance threshold as recommended by the Audit, Risk and Compliance Committee.
	4.2	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	Applied	The Audit, Risk and Compliance Committee reviews risks at every one of its quarterly meetings.

# RESPONSIBILITY REPORTING

Part	No.	Principle	Apply/ Explain	Status / Comments
Management's responsibility for risk management	4.3	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	The Board has approved the Enterprise Risk Policy and delegated the risk oversight to the Audit, Risk and Compliance Committee.
Risk assessment	4.4	The Board should ensure that risk assessments are performed on a continual basis	Applied	This role has been delegated to the Audit, Risk and Compliance Committee.
	4.5	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	Exco has established a sub-committee which performs this role.
Frameworks & Methodologies implementation	4.6	The Board should ensure that management considers and implements appropriate risk responses	Applied	This is fully dealt with by the Audit, Risk and Compliance Committee on a quarterly basis
Risk response	4.7	The Board should ensure continual risk monitoring by management	Applied	Reports are submitted by Management to the Audit, Risk and Compliance Committee on a quarterly basis.
Risk monitoring	4.8	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	A report on combined assurance has been submitted at the Audit, Risk and Compliance Committee meetings as well as at the Board meetings.
Risk disclosure	4.9	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	The Audit, Risk and Compliance Committee discloses in the Annual Report. The Committee provides a view on the effectiveness of the Risk Management Process.

Part	No.	Principle	Apply/ Explain	Status / Comments
5.		The governance of information technology		
IT Governance	5.1	The Board should be responsible for information technology (IT) governance	Applied	The Audit, Risk and Compliance Committee performs this role in terms of its Charter.
	5.2	It should be aligned with the performance and sustainability objectives of the company	Applied	The Audit, Risk and Compliance Committee receives IT Governance reports on a quarterly basis.
	5.3	The Board should delegate to management the responsibility for the implementation of an (IT) governance framework	Applied	The Audit, Risk and Compliance Committee has approved the company's IT Governance Framework.
	5.4	The board should monitor and evaluate significant (IT) investments and expenditure	Applied	All significant IT investments are approved by the Board and Management reports on expenditure to the Audit, Risk and Compliance Committee.
	5.5	It should form an integral part of the company's risk management	Applied	The Audit, Risk and Compliance Committee, performs the IT risk oversight role.
	5.6	The Board should ensure that information assets are managed effectively	Applied	The Board approved the Group Governance Framework which has been implemented.
	5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its (IT) responsibilities	Applied	The Audit, Risk and Compliance Committee, fulfils this function as per its mandate.
6.		Compliance with laws, rules, codes and standards		
Compliance and Compliance Risks Company secretary	6.1	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	This is the role of the Audit, Risk and Compliance Committee. A Compliance report is submitted to this Committee.
	6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Applied	The Directors are seasoned business persons who are suitably skilled individuals with sufficient ability to understand applicable laws, rules and codes. However, updates are provided to them from time to time.
	6.3	Compliance risk should form an integral part of the company's risk management process	Applied	An Enterprise-Wide Compliance Policy has been approved and a Procedure thereof has been implemented and monitoring is on-going.
	6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	Applied	The Board has approved the Enterprise-Wide Compliance Policy.
7.		Internal audit		
The need for and role of internal audit Internal audit's	7.1	The Board should ensure that there is an effective risk based internal audit	Applied	An Internal Audit function is in place. A risk-based audit approach has not been adopted.
	7.2	Internal audit should follow a risk based approach to its plan	Applied	The Internal Audit utilises a risk-based approach which focuses at Order to Cash, Procure to Pay, stock stores and inventory, book to report, hire to retire

# RESPONSIBILITY REPORTING

Part	No.	Principle	Apply/ Explain	Status / Comments
The need for and role of internal audit Internal audit's	7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	A report is provided to the Audit, Risk and Compliance Committee on a quarterly basis.
	7.4	The Audit Committee should be responsible for overseeing internal audit	Applied	The Audit, Risk and Compliance Committee, oversees the Internal Audit function.
Internal audit's status in the company	7.5	The induction of and on-going training and development of directors should be conducted through formal processes	Applied	The Audit, Risk and Compliance Committee oversees the Internal Audit function.
8.		Governing stakeholder relationships		
Stakeholder Engagement Group Boards Remuneration of Directors and Senior Directors	8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	A formal stakeholder management framework has been adopted.
	8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Applied	Sufficient Committees have been established and all have duly approved Charters.
	8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings in the best interests of the company	Applied	The Board approved the Group Governance Framework which has been implemented.
	8.4	Companies should ensure the equitable treatment of shareholders	Applied	Annual retainer and attendance fees for Board and attendance fees for Committees. The fees are reviewed and benchmarked annually.
	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	A Stakeholder Model is in place.
Resolution	8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	The company has adopted alternative dispute resolutions and as a result thereof, a dispute resolution clause has been incorporated into every contract entered into between the company and third parties. Management periodically provide a Litigation Risk Report to the Audit, Risk and Compliance Committee
9.		Integrated reporting and disclosure		
Transparency and accountability	9.1	The Board should ensure the integrity of the company's integrated report	Applied	The Audit, Risk and Compliance Committee is charged with this responsibility and oversees the execution thereof.
	9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	An Integrated Report was produced for the 2014 financial year and will be done after every two years.
	9.3	Sustainability reporting and disclosure should be independently assured	Explain	It was resolved that this is not necessary at this stage and will be considered when required.



# INDEX TO GLOBAL REPORTING INITIATIVE INDICATORS (G3.1)

GRI	Topic	Pages
<b>Strategy and analysis</b>		
1.1	Statements from the Chairman of the Board and CEO	20-26
1.2	Key impacts, risks and opportunities	21,23,25-28,31 - 35
<b>Organisational profile</b>		
2.1	Name of the organisation	98
2.2	Primary brands, products and/or services	13,14
2.3	Organisational structure of the organisation	15,16,44
2.4	Location of headquarters	98
2.5	Number of countries where the organisation operates	15,16
2.6	Nature of ownership and legal form	17
2.7	Markets served	13
2.8	Scale of the reporting organisation	13, 93 - 96
2.9	Significant changes	12, 23, 25
2.10	Awards received	12, 26
<b>Report parameters</b>		
3.1 - 3.4	Report Profile	5, 98
3.5 -3.11	Report Scope and Boundary	5
3.12	GRI Content Index	94
3.13	Assurance	87
<b>Governance, commitment and engagement</b>		
4.1 - 4.10	Governance	75 - 96
4.13 - 4.13	Commitment to external initiatives	29 - 31
4.14 - 4.17	Stakeholder Engagement	33 - 35
<b>Economic Performance</b>		
EC1	Economic value generated	69 - 70
EC2 - EC 4	Implications of climate change, defined benefit plan obligations, assistance from government	73 - 74
EC5 - EC 7	Market presence	49 - 62, 68 - 70
EC8	Infrastructure investments	71
EC9	Indirect economic impact	23 - 28
<b>Environmental performance</b>		
EN1 - EN2	Materials used and recycled	73,74
EN3 - EN7	Energy	73,74
EN8 - EN10	Water	73
EN11 - EN 15	Biodiversity	73
EN16 - EN25	Emissions, effluents and waste	73,74
EN26 - EN27	Products and Services	73
<b>Social performance</b>		
LA6 - LA9	Occupational Health and Safety	67, 68
LA10 - LA12	Training and education	59, 68
HR1 - HR4	Human rights and non-discrimination	69, 70
<b>Society</b>		
SO1, SO9 - SO10	Community	69 - 71
SO2 - SO4	Corruption	81, 82
SO5 - SO8	Public Policy and anti-competitive behaviour	Not reported
PR1 - PR9	Customer Health and Safety	55



# INFORMATION



# GLOSSARY OF ABBREVIATIONS

## Abbreviation definition

ARM	Aggregates and Readymix Business Unit	MPRDA	Mineral and Petroleum Resources Development Act (No 28 of 2002)
ASPASA	Aggregate and Sand Producers Association of South Africa	NACA	National Association for Clean Air
B-BBEE	Broad-based Black Economic Empowerment	NBI	National Business Initiative
CBU	Cementitious Business Unit	NML	Non-Management Level
CO <sub>2</sub>	Carbon Dioxide	NOx	Oxides of Nitrogen
CRF	Corporate Research Foundation	NOSA	National Occupational Safety Association
CSR	Corporate Social Responsibility	NOSCAR	National Occupational Safety Credited Awards
CV	Coefficient of Variance	PIC	Public Investment Corporation
DEA	Department of Environmental Affairs	ppm	Parts per million
DF2, DF3, UL5	Dudfield Kiln 2, Dudfield Kiln 3, Ulco Kiln 5	QSE	Qualified Small Enterprises (Turnover >R5 million)
DMR	Department of Mineral Resources	SANAS	South African National Accreditation System
EBITDA margin	Earnings before interest, tax, depreciation and amortisation, as a percentage of total sales	SARMA	South African Readymix Association
EE	Employment Equity	SHE	Safety, health and environment
EIT	Engineer in Training	SME	Small to Medium Enterprises
EME	Exempt Micro Enterprises (Turnover <R5 million)	SML	Senior Management Level
FML	First Management Level	SOx	Oxides of Sulphur
g	Gram	SPL	Spent Pot Liner
HDSA	Historically Disadvantaged South African	SSC	Shared Service Centre
ISO	International Organisation for Standardisation	TCO	Total cost of ownership
kg	Kilogram	TML	Top Management Level
LTI	Lost Time Injury	TRIFR	Total Recordable Injury Frequency Rate (number of recordable injuries per 1 000 000 man hours worked)
LTIFR	Lost Time Injury Frequency Rate (number of lost time injuries per 1 000 000 man hours worked)		
m <sup>3</sup>	Cubic Metres		
MIC	Mineral Components		
MJ	Mega Joules		
MML	Middle Management Level		

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1934 - 2014

**AfriSam**