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Leadership and governance

- 66 Our approach to governance
- 76 Code of Ethics
- 77 Other required disclosures
- 78 Our approach to information technology governance
- 79 Social, Ethics and Transformation Committee report

Our approach to governance

At Afrox, we are accountable for our actions and strive to be transparent in all decisions and activities.

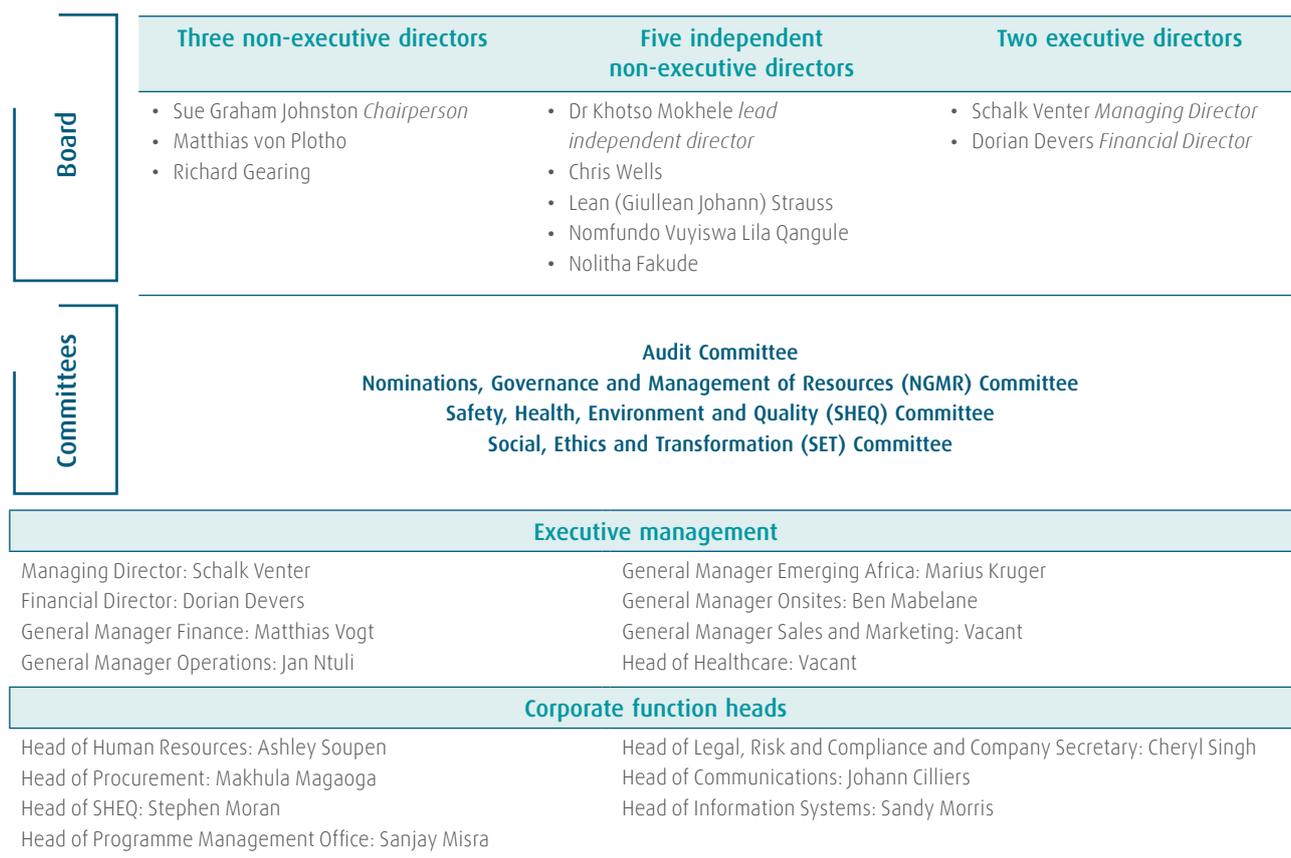
Our business is uniquely South African, and we consider its diverse aspects while managing our business in accordance with The Linde Group global best practice, encompassing business processes, management, technology, environment, employment, relations with suppliers, customers and society.

Our integrated thinking and application of good corporate governance is embedded in our organisational culture and is exhibited in the manner in which the Company oversight is provided. Specifically through governance principles and policies that are integrated into our operations

and reviewed frequently to ensure continuous compliance and application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

King III supports the inclusion of sound leadership practices, such as sustainability and good corporate citizenship, in our business structures, policies and practices. Some of our governance activities are already aligned with the King IV™ Code of Corporate Governance for South Africa, and we are making progress in applying these principles further to achieve full compliance in the next year.

Afrox governance structure



Board of directors

Independent



Dr Khotso Mokhele (61)
Lead independent director

Khotso was appointed to the Afrox Board in December 2005. He was on the teaching and research staff of the Universities of Fort Hare and Cape Town between 1986 and 1992. He was vice-president and then President of the Foundation for Research and Development from 1992 to 1999, and president of the National Research Foundation from 1999 to 2006. He served on the Council for Higher Education, the National Advisory Council on Innovation, and the National Skills Authority. Khotso was the founder and president of the Academy of Science of South Africa.

Khotso holds eight honorary doctorates from South African higher education institutions and one honorary doctorate from Rutgers University in New Jersey (USA). He currently serves as special advisor to the Minister of Science and Technology. He is the chairman of two South African-listed companies (Tiger Brands Limited and AECI Limited). Khotso chairs the SET and SHEQ committees at Afrox and is a member of the NGMR Committee.

Khotso holds the following qualifications: BSc Agriculture (University of Fort Hare), MS and PhD in Microbiology (University of California Davis, USA).



Chris Wells (68)
Independent non-executive director

Chris was appointed to the Afrox Board in November 2012. Chris is Chief Executive Officer of Oakbrook Holdings (Pty) Ltd, a private investment company and chief executive officer of International Facilities Services (Pty) Ltd, a company focused on providing facilities services in sub-Saharan Africa. He is a non-executive director of the Spar Group Limited where he chairs the audit committee and risk committee and is a member of its social, ethics and transformation committee. He has extensive experience in the retail and manufacturing sectors, having been both a CFO and CEO of various listed companies. He is a Chartered Accountant (SA). Chris chairs the Audit Committee.



Nomfundo Qangule (49)
Independent non-executive director

Nomfundo was appointed to the Afrox Board in July 2014. She was the chief financial officer of Harmony Gold Limited between 2004 and 2007. She is currently director of Hans Merensky Holdings, AfroCentric Health Limited, Rebosis Limited, and Nozala Investments (Pty) Ltd. She is both a CA(SA) and CAIB(SA). Nomfundo is a member of the Audit and SET committees.



Lean Strauss (58)
Independent non-executive director

Lean was appointed to the Afrox Board in May 2015. He joined Sasol in 1982. He spent most of his career with Sasol Oil, where he held the positions of general manager, manufacturing and supply as well as general manager, marketing. He was appointed as general manager of Sasol Gas in 1997 and managing director of Sasol Nitro in 2002. In 2005 Lean was appointed as a member of the group executive committee and as group general manager responsible for Sasol's international energy portfolio. From January 2010 he took over the group's responsibility for Sasol Oil and Sasol Gas. In July 2010 he was promoted to senior group executive, responsible for the Group's total growth portfolio, Sasol's international energy cluster, Sasol new energy and Sasol technology. He was also a director and chairman of several companies in the Sasol group. Lean has a BCom and BCom Honours Degree from the University of Stellenbosch and an MCom Business Management Degree from the Rand Afrikaans University (now University of Johannesburg). Lean chairs the NGMR Committee and is a member of the Audit and SHEQ committees.



Nolitha Fakude (52)
Independent non-executive director

Nolitha was appointed to the Afrox Board in March 2017 and bolsters our team with 25 years of experience across multiple organisations and diverse industries.

Nolitha held a number of senior positions prior to joining Afrox, including executive director at Sasol, chairperson of Sasol Mining, non-executive director for Harmony Gold, director and group executive member at Nedbank Limited as well as managing director at the Black Management Forum.

In April 2017, she will join the board of Anglo American Plc and previously served as a non-executive director on the boards of Datacentrix Holdings and Woolworths.

Nolitha holds a Bachelor of Arts Degree from the Walter Sisulu University and a BA Honours Degree, from the University of Fort Hare.

Our approach to governance continued

Non-independent directors



Sue Graham Johnston (47)

Chairperson

Sue was appointed as Chairperson of Afrox's Board of directors. She succeeds head of EMEA Bernd Eulitz, who was appointed to the Board on 1 June 2015. She assumed her role as Chairperson on 7 September 2016.

Sue joined The Linde Group in April 2015 after nearly two decades in the technology sector during which she held various executive positions at Oracle, most recently as vice-president business strategy and product operations for their telecommunications global business unit.

Prior to Oracle, Sue worked for Sun Microsystems, holding vice-president and director roles in new product introduction, grid solutions, quality, engineering and supply chain management. She was also a management consultant at Bain & Company in San Francisco and Hong Kong.

She holds degrees in mechanical engineering and product design, and a Master's Degree in Manufacturing Systems.



Richard Gearing (54)

Non-executive director

Richard was appointed to the Afrox Board in August 2012. He is the head of MPG operations at BOC UK, a subsidiary of The Linde Group. He joined BOC in 1985 and held various senior positions in the industrial and packaged gases business, including business director industrial, general manager north, customer services manager north and distribution manager. He holds a BSc in Engineering Mathematics from Bristol University. He is a member of the SHEQ Committee.



Matthias von Plotho (47)

Non-executive director

Matthias was appointed to the Afrox Board in May 2011. He is The Linde Group's head of finance for EMEA. He joined The Linde Group in 2001 and was responsible for implementation of IFRS for financial instruments. Since then he has held a number of senior posts, including head of mergers and acquisitions. Prior to joining The Linde Group, he worked with KPMG and AGIV AG in Germany. He holds a Master's Degree in Business Administration from the University of Würzburg, Germany. Matthias attends Audit Committee meetings by invitation.

Our highest decision-making authority rests with the executive directors who take responsibility for business oversight and governance based on sound governance practices that promote profitable sustainability for us and our stakeholders.

Executive directors



Schalk Venter (50)

Managing Director

Schalk was appointed to the Afrox Board on 18 May 2015 and assumed the role of Managing Director. He joined Chemsolve Systems in 1991 as a junior sales representative and went on to serve as managing director of a number of subsidiaries of the group before he was promoted to chemical services executive and joined the board in 2006.

Thereafter, he was appointed chairman of a number of subsidiaries, including Nulandis, Resinkem, Duco Speciality Coatings and Chemfit. In 2010, he was promoted to executive for AECI and in 2012 he was promoted to managing director of AECI's biggest subsidiary, AEL Mining Services.

Schalk has a Higher National Diploma in Analytical Chemistry from Tshwane University of Technology and attended the Advanced Management Programme 107 at INSEAD Business School.



Dorian Devers (41)

Financial Director

Dorian was appointed to the Afrox Board on 28 May 2015 and assumed the role of Financial Director. He is currently the Region Africa and United Kingdom financial director for The Linde Group AG, the holding company of Afrox. Dorian joined BOC in 1997 and has held a number of senior posts since.

Dorian has significant corporate finance experience having successfully concluded various merger and acquisition opportunities as well as supporting the development of major projects across multiple sectors and geographies.

He has experience in the LPG industry, having been the chief financial officer for Elgas the largest LPG company in Australia and New Zealand.

Dorian took up his current role of Finance Director for Linde's region Africa UK and Ireland in 2013.

He holds a BSc Honours in Mathematics and Physics from the University of Manchester.

Refer to www.afrox.co.za for the curricula vitae of our executive management members.

Effective control is maintained through a well-developed governance framework that provides for delegation of authority and applicable duties. The Board delegates authority to relevant Board Committees and individuals with clearly defined mandates that are reviewed annually. These Committees discharge Board responsibilities and provide in-depth focus on specific areas according to their relevant skills and expertise.

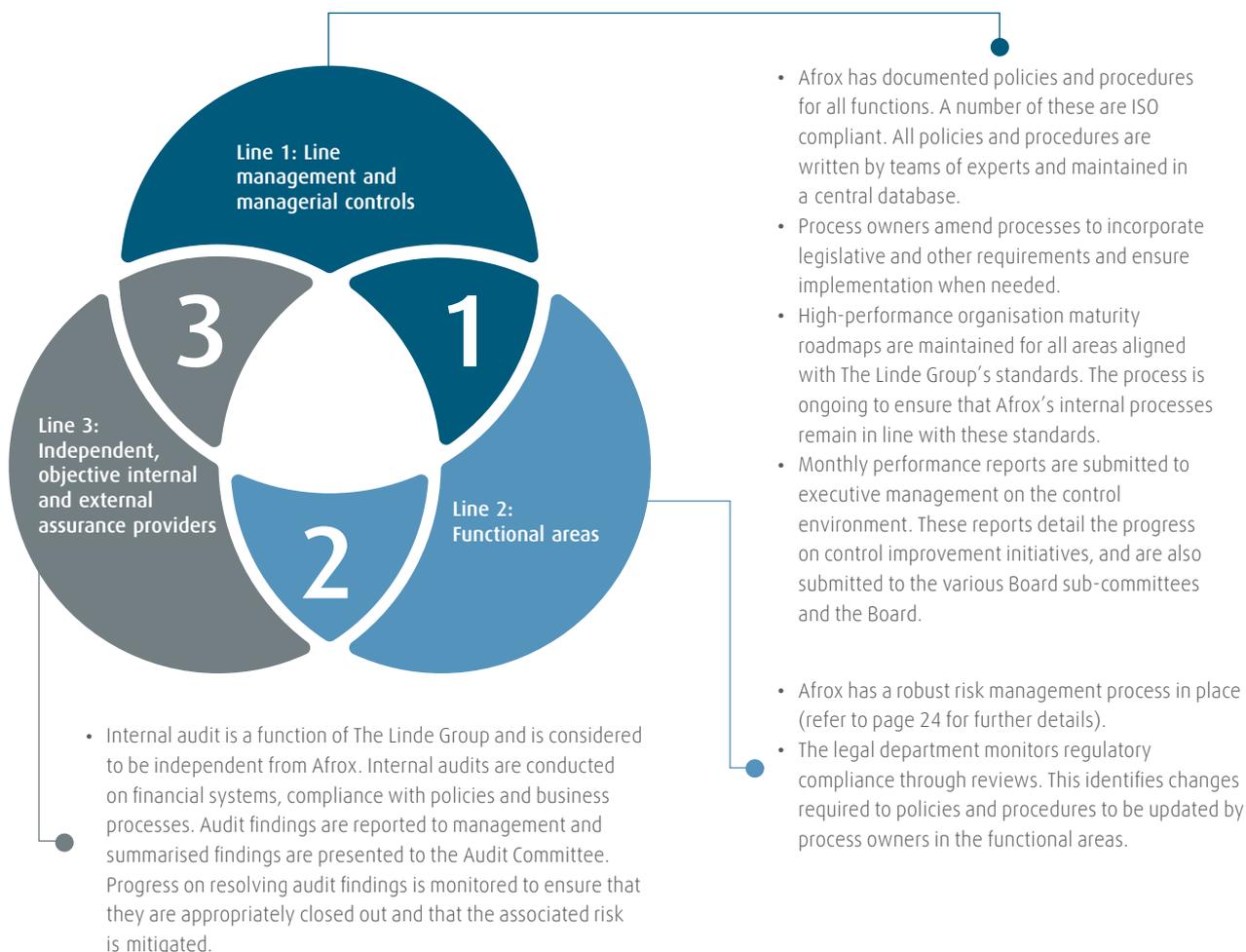
The Board delegates authority to the executive directors to manage the business and affairs of Afrox. Our executive management assists the Managing Director, subject to statutory parameters and the Board's limits on the delegation of authority to the Managing Director. Delegated authorities are monitored and reviewed on an annual basis.



Our approach to governance **continued**

Our combined assurance model

Our approach to assurance includes three lines of defence:



Board charter

Business conduct is regulated by means of a King III-aligned Board charter that is underpinned by principles of sound corporate governance. The Board charter is currently being revised to ensure alignment with better practice and provide further guidelines for responsibility. This revision is done annually and considers changes brought about by new legislation or the business environment.

Chairperson and Managing Director

The Chairperson is an executive of the controlling shareholder, The Linde Group, and the Chief Executive of Region Africa and the UK. The Chairperson provides overall leadership of the Board and its committees. She monitors and evaluates the performance of the Managing Director in conjunction with the NGMR Committee in order to ensure the achievement of Afrox's strategic and operational objectives. Dr Khotso Mokhele is the lead independent director, as the Chairperson is not independent.

The Board recognises that the roles of the Chairperson and the Managing Director should be separate to ensure a balance of power and authority, and applies this to ensure decision making is

unfettered or polarised. The new Chairperson was appointed on 7 September 2016. Refer to page 77 for the compliance statement.

Board focus areas

After a challenging year with an increased workload as a result of oversight on the post-restructure governance, risk mitigations and business controls, the refreshed Board is set to take our business forward with a dynamic mix of expertise and talent that has proved invaluable in problem solving and oversight.

2016 focus areas

- Tracked the benefits in financial results from the restructure.
- Managed cost creep and accountability
- Implemented a sales incentive scheme to enhance the performance of sales and marketing
- BBBEE performance and transformation
- Safety drivers
- Competition Commission market inquiry
- The Board approved gender targets of 25% for women in respect of Board representation

In 2017, the Board aims to:

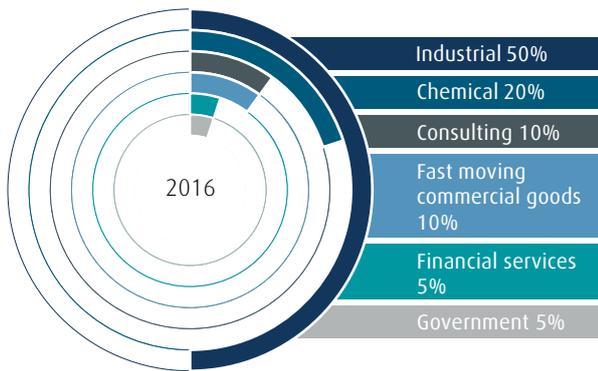
- Introduce a new risk management system to review the external environment for risks, opportunities and benefits. Thereafter, to apply these to our organisational culture from the employees up towards the Board to build a deeper understanding of sustainability.
- Review internal and external security and compliance risks.
- Enhance the efficiency of dedicated consults.
- Monitor financial performance and cost recovery.
- Build on our competitive advantages.
- Review sales and marketing performance.
- Drive the right culture and behaviours.

Competition Commission market inquiry feedback

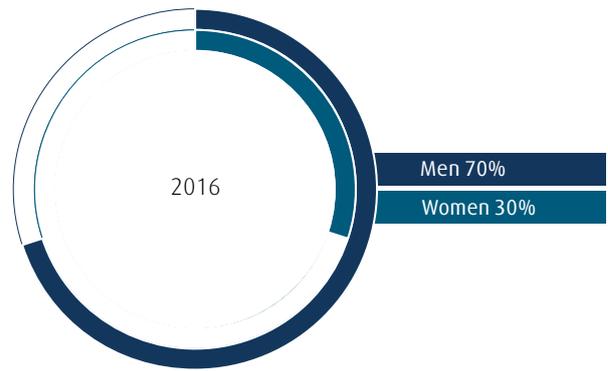
The Competition Commission market inquiry into the LPG sector is ongoing. Afrox continues to provide information upon request as well as supporting information to the inquiry. Refer to page 48 for further details.

Board composition and skills

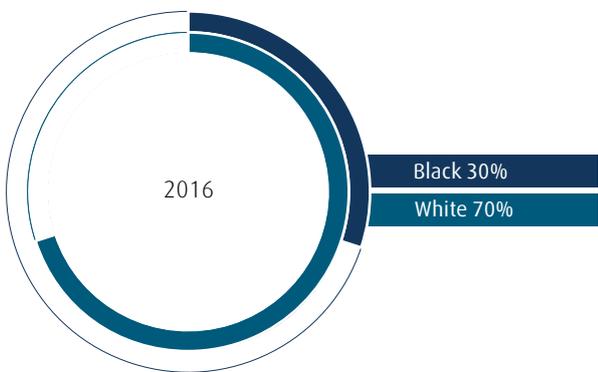
Areas of expertise



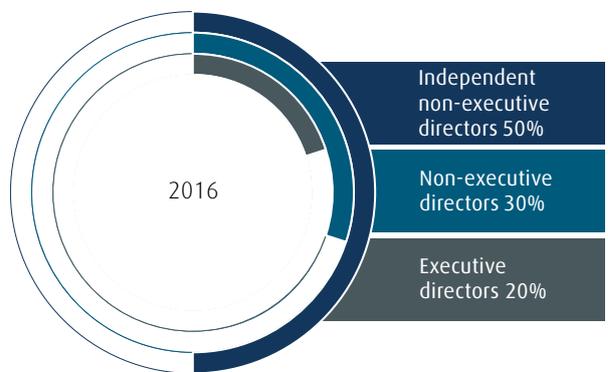
Gender composition



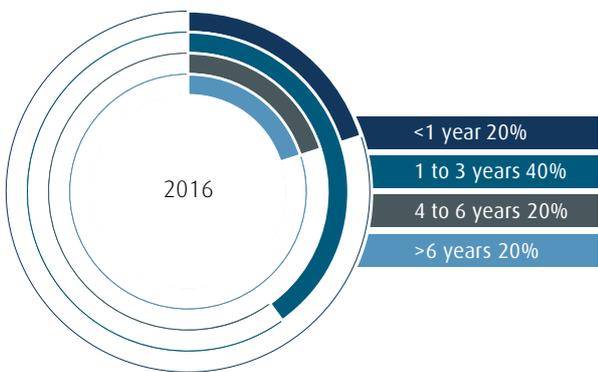
Diversity



Board balance



Tenure



Average non-executive board member age is 53.6 years compared to 57.2 years – SA Board index¹.

¹ Spencer Stuart prepared the board 2015 analysis versus 2014 SA Board Index

Our approach to governance **continued**

Board meetings and attendance

Afrox held four Board meetings. Ad hoc meetings are arranged as required. During 2016, there were four regular and no special meetings.

The agenda and relevant supporting documents are distributed to directors before each Board meeting. If directors are unable to attend Board meetings, they submit comments on the agenda and general

items to the committee chairperson for raising and discussion. Directors based abroad have access to video or teleconferencing facilities for participation. During the meeting, the appropriate executive director explains and motivates business items that require decisions. Unrestricted access to all Company information and records is available to all directors.

Directors	Appointment date	Meetings attended
Executive directors		
Schalk Venter – Managing Director	18 May 2015	4/4
Dorian Devers – Finance Director	28 May 2015	4/4
Non-executive directors (The Linde Group)		
Sue Graham Johnston – Chairperson	7 September 2016	2/2
Matthias von Plotho	20 May 2011	4/4
Richard Gearing	10 September 2012	4/4
Bernd Eulitz – Former Chairperson (Resigned 7 September 2016)	1 June 2015	2/2
Independent executive directors		
Dr Khotso Mokhele – Lead independent director	1 December 2005	4/4
Chris Wells	22 November 2012	4/4
Nomfundo Vuyiswa Lila Qangule	22 July 2014	4/4
Lean Strauss	26 February 2015	4/4

Board appointments, training and evaluation

Rotation of directors and independence

Director rotations took place as per the Company's notice of annual general meeting (AGM). Sue Graham Johnston was appointed to the position of Chairperson of Afrox's Board of directors, succeeding head of EMEA, Bernd Eulitz, who was appointed to the Board on 1 June 2015. Ms Graham Johnston took up her role on 7 September 2016.

Dr Mokhele has been a lead independent director for more than 10 years. The Board has collectively discussed the character, material interests and performance of Dr Mokhele, and is comfortable that he remains a highly effective and independent member of the board.

Selection process and support

The NGMR Committee makes recommendations to the Board on executive and non-executive director appointments as well as Board composition. The Board considers the recommendations and makes appointments as it deems appropriate, subject to shareholder approval at the ensuing AGM.

Afrox uses skills, acumen, experience and actual or potential level of contributions as criteria for appointments. We further review possible impacts on Afrox's activities and racial and gender diversity. The Afrox Board approved a 25% female diversity representation target in 2016. We achieved this target by having three female directors on the Board.

All directors have access to information required to enable them to carry out their duties. They also have access to management and the Company Secretary in order to carry out their responsibilities fully and effectively.

Training and evaluations

Board members received external training on the Competition Act in September 2016, specifically on director's responsibilities and liabilities in fulfilment of their fiduciary duties.

All new Board members go through a detailed Board induction process and occasional site visits aid employee engagement while providing site-specific information for member edification. The next site visit will occur in May 2017.

External Board evaluations are performed once every three years and are dynamic, based on business circumstances. The next external evaluation will take place in 2019.

Internal Board evaluations for the periods 2015 and 2016 were completed in February 2017. The overall outcome demonstrated that the Board and the committees are functioning effectively with constructive and positive relationships being formed between board members and management. The process identified areas of enhancement which included organisational succession planning, bolstering of the risk management function and formalising stakeholder engagements. The Board Chairperson and the respective committee chairs will put action plans in place to address these areas and evaluate the progress made at the next board appraisal. The Board will also conduct an external skills gap analysis to ensure a balanced mix of skills going forward.

Company Secretary

Cheryl Singh was appointed Company Secretary in January 2014. The Company Secretary is not a member of the Board or a prescribed officer. The Afrox Board remains satisfied that an arm's-length relationship exists between it and the Company Secretary.

The Company Secretary provides the Board with guidance in discharging of directors' duties and responsibilities in the context of legislation, regulation, governance procedures and requirements. The Board has access to, and is aware of, the responsibilities and duties of the Company Secretary and has committed itself to ensuring that the Company Secretary is afforded support as and when required. The Company Secretary acts as secretary to all Board-appointed committees.

In line with the JSE Listings Requirements, the Board assessed the Company Secretary on the basis of competence, qualifications and experience. The Board concluded that the Company Secretary is competent to carry out her duties and remains responsible for the appointment and removal of the Afrox Company Secretary.

Board-appointed committees

The Board delegates certain management responsibilities to Board-appointed committees to assist in discharging its duties while remaining accountable for the performance and affairs of Afrox.

Each committee acts within agreed, written terms of reference. The Board receives minutes of committee meetings and reports from the Chairperson of each Board-appointed committee at the scheduled Board meetings.

The Chairperson of each Board-appointed committee is an independent non-executive director and members are non-executive directors. The only exceptions are the SHEQ and SET committees, where the Managing Director is an official member. Executive directors attend committee meetings by invitation.

The Audit Committee report for the year ended 31 December 2016 is included in the annual financial statements. The SET Committee report is available on page 79.

Committee members	Meeting attendance	Purpose
<p>Audit Committee</p> <p>CF Wells (chairperson)</p> <p>NVL Qangule</p> <p>GJ Strauss</p>	<p>3/3</p> <p>3/3</p> <p>3/3</p>	<ul style="list-style-type: none"> The Audit Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in the Companies Act, and the requirements contained in King III. It also executes further duties delegated to the Audit Committee by the Board. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, the committee assists the Board by advising and making submissions on financial reporting, overseeing the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the Company. The role of the Audit Committee, and how it achieved its responsibilities, is described in its charter. During the year, the Audit Committee reviewed the expertise and skills of the Financial Director and is satisfied that the correct abilities, skills and knowledge are inherent to said member in the performance of their duties.
<p>The Audit Committee report is available on page 2 of the full annual financial statements</p>		

Our approach to governance **continued**

Committee members	Meeting attendance	Purpose
Nominations, Governance and Management of Resources Committee		
GJ Strauss (chairperson) Dr KDK Mokhele B Eulitz (Resigned on 7 September 2016) S Graham Johnston (Appointed as a committee member on 7 September 2016)	4/4 4/4 3/3 1/1	<p>Management of resources</p> <ul style="list-style-type: none"> • To determine and make recommendations to the Board on the framework, policy and costs of executive and senior management remuneration • Determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated • Refers specific recommendations for independent director remuneration to the Board for deliberation. No person is involved in any decision as to his or her own remuneration • Reviews and advises on the general principles under which compensation, retirement plans, training, succession plans and performance management are applied to senior employees of Afrox • Reviews the rules of any long-term incentive schemes operated by Afrox • Monitors and reviews Afrox’s retirement funds to ensure compliance with current best practice standards, industry practices and legislation <p>Nominations and corporate governance</p> <ul style="list-style-type: none"> • Enforces policy on gender targets among others as well as nomination and appointments of directors • Monitors and reviews the Company’s policies, practices and compliance with corporate governance principles and regulations • Serves as a Nominations Committee (chaired by Dr KDK Mokhele) and as part of its function, the committee: <ul style="list-style-type: none"> – reviews and makes recommendations on the retirement and re-election of directors, by rotation, prior to the AGM; – identifies, evaluates and nominates candidates to fill vacancies for executive, non-executive and independent directors of the Company for approval by the Board as a whole; and – reviews the size of the Board, committee structures and director assignments • The Board, through the committee, conducts self-performance evaluations
SHEQ Committee		
Dr KDK Mokhele (chairperson) SM Venter GJ Strauss	4/4 4/4 4/4	<ul style="list-style-type: none"> • Ensures that SHEQ management within Afrox is aligned with the overall business strategy, and is geared for compliance and fulfilment of its commitments and obligations in these fields • Reviews the policies and performance of Afrox and the implementation of SHEQ policies • Considers and provides guidance to the Board on major SHEQ projects • Ensures that the Board is informed of all significant impacts on the Company in the SHEQ field and how these processes and activities are managed • Considers substantive national and international regulatory and technical developments in the field of SHEQ • Monitors the Company’s SHEQ performance progress on continuous improvement

Committee members	Meeting attendance	Purpose
Social, Ethics and Transformation Committee		
Dr KDK Mokhele (chairperson)	3/3	The committee has specific statutory duties in terms of provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision:
NVL Qangule	3/3	<ul style="list-style-type: none"> • To monitor the Company's activities, having regard to relevant legislation, other legal requirements, or prevailing codes of best practice
SM Venter	3/3	<ul style="list-style-type: none"> • To draw matters within its mandate to the attention of the Board
The SET Committee report is available on page 79.		<ul style="list-style-type: none"> • To report to shareholders at the AGM on the following range of activities: <ul style="list-style-type: none"> - social and economic development; - good corporate citizenship; - consumer relationships; and - labour and employment
		<ul style="list-style-type: none"> • To formulate strategies and monitor a range of activities to ensure the successful transformation of Afrox, in the areas of BBBEE, sustainable development and good corporate citizenship, by assessing the Company's performance against the following criteria: <ul style="list-style-type: none"> - black equity participation; - employment equity; - management transformation; - skills development; - transformation-sensitive procurement; and - supplier development

Code of Ethics

The Linde Code of Ethics is designed to build and enhance the ethical integrity of all its employees and directors. In that regard, the Code of Ethics supports the Linde corporate vision, values and principles.

The Board is responsible for the ethical governance of the Company and leads with the assistance of the executive team in ensuring sound governance. This philosophy of leadership-led excellence permeates the entire company and is reflected in the Linde Group Code of Ethics to which Afrox subscribes.

Our Ethics and Compliance Committee, a Board sub-committee, provides additional oversight by monitoring and managing ethics-related matters in the organisation. This committee receives valuable input from a diverse range of Afrox personnel including finance, internal audit, HR, forensics and legal.

What does the Code outline?

The Code sets clear behavioural and ethical expectations with regards to our customers, suppliers, operating markets, shareholders, employees, communities and society. A zero-tolerance approach is taken to deviations from this Code and it is a requirement that each employee learns and complies with the standards and laws that apply to their job. The Code sets minimum standards of behaviour expected within the Company and prescribes that local laws, policies and legislations are adhered to, relative to country of operation. All ethical non-conformances and breaches are reported to the Audit and SET committees for remedial action.

The detailed document sets out:

1. Ethics and compliance requirements within Afrox	The Code applies to all employees, directors and officers. The standards set out in the Code determine how Afrox will maintain its relationships with customers, suppliers, governments, other businesses, the environment and people. These standards provide clear guidance on how we are expected to act in certain circumstances and ensure that our positive reputation is maintained and enhanced.
2. Appropriate use of the integrity line	The Company's integrity line exists for employees to report contraventions of the Code of Ethics and to raise certain qualified concerns that cannot be appropriately addressed at a line management level. Electronic and telephonic access is provided.
3. Guidance for making ethical decisions	Company assets, Company time, government interaction, confidential information, insider dealing, communication, products and financial reporting are some of the topics detailed and outlined for employee guidance.

Principles of honest communication, fair treatment and equal opportunities are entwined into the Code and support a fundamental respect for human rights.

To support a consistent ethical culture, training and guidance is offered for the additional policies in place to strengthen the governance environment, namely anti-corruption, business partner compliance guidance and our competition policy.

Supplier Code of Conduct

We apply the Linde Group's Code of Conduct for Suppliers which details requirements for legal compliance, health and safety, human rights, labour laws and standards, integrity, environmental protection and supply chain matters to which we hold our suppliers accountable. Of the suppliers that make up the top 80% of our procurement, 37.2% have confirmed agreement to this code. Conflict of interests between employees, affiliates and suppliers is detected through a specialised function in our procurement systems. Refer to page 82 for more information.

Other required disclosures

Dealing in securities

Trading in Afrox securities by directors, managers and employees is governed by the Afrox share trading policy, which is jointly managed by the Company Secretary and Group Finance. In compliance with the policy, the Company is timeously informed of all closed and prohibited periods and their obligations during such periods.

This policy complies with the Financial Markets Act and JSE Listings Requirements, which restrict directors, officers and employees from dealing in Company securities prior to any announcement in respect of its financial results or during any period surrounding the disclosure of any price-sensitive information. The policy requires a higher governance and legal standard than that stipulated in the JSE Listings Requirements and, in terms of the policy, the Chairperson approves all transactions in Company securities for both the Board members and executive management prior to any such transactions. The Board expects strict adherence to the policy.

The Company maintains a list of insiders, which is actively monitored and updated. The policy is reviewed from time to time to ensure continued compliance with applicable legislation. The Audit Committee and the Board review the policy on an annual basis.

Public and shareholder communications and treatment of stakeholders

Communication with the public and shareholders embodies the principles of balanced reporting, clarity and openness. Positive and negative aspects of both financial and material non-financial

information are provided. We maintain an active dialogue with our key financial audiences, including institutional shareholders, investment analysts and our funding community. Our policy is to present to investors, fund managers and analysts twice a year after the release of the Company's results.

The Board actively endeavours to fairly balance the interests of all shareholders and other stakeholders; the Board as a whole continuously challenges business decisions and judgements to ensure that all shareholder interests, particularly minority interests, are appropriately protected. In alignment with this obligation, the Board reviews all transactions and/or agreements between the Company and The Linde Group annually.

Refer to page 26 for more information regarding stakeholder engagement.

Interest of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. No conflicts of interest exist regarding directors' interests in contracts. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

Statement of compliance

The Board is of the opinion that Afrox is compliant with King III and the JSE Listings Requirements, except for the following instances:

King III principles and recommendation	Explanation
Principle 2.16: The board should elect a chairman of the board who is an independent non-executive director.	The Chairperson of the Afrox Board is Sue Graham Johnston, who is responsible for managing the Region Africa segment within the Linde Group. Accordingly, Ms Johnston cannot be classified as an independent director. Dr Khotso Mokhele is appointed to the Afrox Board as Lead independent director in compliance with Recommendation 38.
Recommendation 78: Independent non-executive directors may serve longer than nine years.	Despite the nine-year recommended board tenure as per King III, the Board is of the opinion that Dr Mokhele's independence of character and judgement is in no way affected or impaired by the length of service. Dr Khotso Mokhele has served on the Afrox Board since 2005 and plays a critical role in ensuring continuity of knowledge and experience on the Afrox Board.

Our approach to information technology governance

Our Board is responsible for the governance of information technology (IT) which defines the structures, processes, responsibilities and other mechanisms required to make decisions while considering various stakeholders. This form of governance is guided by the principles outlined in the African Oxygen Limited Board charter for information technology. According to its own analysis, Afrox continues to operate in compliance with King III Chapter 5 requirements.

There were no material changes to policies in 2016 and all major IT projects and initiatives were approved by the Board in adherence to the defined levels of authority for governance. Executive management received regular management reports on progress, risks and deliverables to monitor and align IT activities with the Group's performance and sustainability objectives. Various projects were executed as part of ongoing cost efficiency and service maintenance programmes which were monitored closely by management committees. The effectiveness of IT and programmes to leverage benefits from the existing IT platform are examples of assessments and actions made.

As part of our continuity planning, Afrox tested our IT disaster recovery in 2016 and it remains compliant with all IT-relevant legislation in South Africa and Emerging Africa.

Ongoing focus continues in the area of IT security and governance. Additional measures introduced in 2015 and user awareness programmes were stabilised in 2016 to support the data security environment. Global security monitoring and compliance intensified through vulnerability assessment programmes, none of which led to material risk areas.

Our IT function received multiple audits in the year, both internal and external, with findings reported to the Audit Committee. No major material findings were reported.



Social, Ethics and Transformation Committee report

Our guiding principles for responsible corporate behaviour

In order to operate successfully and create value for our stakeholders, Afrox considers social, ethical, transformational and environmental aspects into our business strategy, supporting our intention to remain a responsible social citizen that considers the sustainability of our Company, our country, our society and the environment. We remain aligned with local legislation, global legislation and various other requirements to ensure that its status maintained and improved.

Afrox has measurable corporate responsibility policies coupled with a strict reporting and review cycles. We strive to continuously develop specific metrics for each of our defined goals and keep the Board

informed of sustainability compliance and high-level risks through reports and presentations to the SET Committee.

We support the development and transformation goals of the South African government and apply good governance in a manner that promoted the highest standards of integrity for all interactions and processes.

The Company retains the corporate responsibility focus areas that have served us well in prior years. These are aligned to the Afrox strategy which is below. The governance approach for addressing these focus areas has been updated and is detailed post after the overview.

Corporate responsibility focus areas



Social, Ethics and Transformation Committee report *continued*

An overview of sustainability governance

The sustainability governance structure was simplified from a collaborative-based (Linde Group in conjunction with Afrox), six-pronged process to a collaborative three level one, allowing for greater levels of accountability and improved speed in decision making.

Sustainability governance structure



The year in review

According to its formal terms of reference, the SET Committee successfully discharged its responsibilities in 2016 and ensured that no duplication or inefficiencies existed in allocated roles or responsibilities across the various Board committees.

Oversight and monitoring of board committees is reflected in the Board committee matrix alongside, ensuring that roles and responsibilities were discharged according to applicable regulations, such as the Companies Act of South Africa and various codes of good practice.

The SET Committee continues to use an annual work plan to cover all matters requiring attention during the planned year. Our accountability

road map has five areas that each person is accountable for in terms of performance against agreed KPIs and targets. Refer to the corporate responsibility focus areas on page 79 for details.

The Committee has made progress on its prior year agenda, focusing on:

- enterprise development and securing LPG supply;
- preferential procurement and scorecard development;
- our evolving ownership story and the positioning of the business (specifically media messaging); and
- BBBEE compliance (including skills development and succession planning, among others).

Scope of matters	SHEQ	Audit	NGMR	SET
Companies Act, 2008				
Social economic development and Company's standing in terms of:				
• 10 Principles of UNGC				X
• OECD guidelines on corruption				X
• EE Act				X
• BBBEE				X
The International Labour Organisation Protocol on decent work and working conditions			X	
Good corporate citizenship including:				X
• promotion of equality, prevention of discrimination				X
• corruption				
• contribution to development of communities				X
• record of sponsorships, donations and charitable giving				X
The environment	X			
Health and public safety	X			
Impact of Company's activities and products and services on communities/environment in which the Company operates	X			
Consumer relationships, including policies and records relating to advertising and public relations				X
Compliance with consumer protection laws			X	X
Labour and employment matters				
Health and public safety				
King III				
• Ethical leadership and ethical behaviour				
• Review adequacy and effectiveness of Company's engagement with stakeholders				X
• Review Company strategy and policy for corporate social investment				X
• Determining Code of Ethics and ensuring Company adherence				X
Governing stakeholder relations				
• Review Stakeholder report on Company's reputation				X
• Feedback on stakeholder engagements				X
• Consider stakeholder material issues				X
Sustainability reporting				
• Review of the sustainability section of the integrated report				X
• Compliance with GRI				X
• Compliance with ISO 26000				X
• Compliance with the JSE SRI Index				X
• Independent assurance of sustainability content				
• JSE Listings Requirements		X		
• Disclosure in Integrated Report on Company's compliance with the King III and areas of non-compliance with explanations			X	

Social, Ethics and Transformation Committee report **continued**

Ethics and human rights

Code of Ethics

As outlined in the Linde Code of Ethics, Afrox is committed to high standards of corporate responsibility. Sustainability in the supply chain is becoming a key aspect, Afrox's stakeholders, especially customers and investors, are increasingly incorporating sustainability considerations into their investment decisions. They are not only interested in how we manage sustainability in our own operations, but also require evidence of how we include sustainability aspects in our procurement practices. Governments worldwide have enacted stricter laws and regulations while intensifying the enforcement of these rules.

We employ people based on their ability to perform to or exceed desired levels and believe that our diverse workplace reflects principles of equality and fairness. We encourage tolerance and sensitivity to other cultures as set out in our Code of Conduct. The Group remains committed maintaining a workplace free from any form of discrimination, including reasons of race, creed, culture, nationality, gender, sexual orientation or marital status.

Refer to page 76 for the Code of Ethics.

Supply chain

We expect our suppliers to share our responsible practices and support our commitment to sustainable development, as defined in our ethical-legal principles procurement as well as in the Code of Conduct for Suppliers of The Linde Group.

Our suppliers are required:

- to comply with all applicable laws and regulations;
- to meet adequate health and safety standards;
- to adhere to internationally agreed labour standards;
- not to engage in any form of corruption or bribery;
- to protect the environment to the best of their ability; and
- to encourage their own suppliers to meet minimum sustainability requirements.

The Supplier Code of Conduct was approved by the Linde Executive Board. Of the 2 036 suppliers used in 2016, 759 have confirmed adherence to this Code of Conduct. Refer to page 76 for more information.

Anti-corruption

A total of 1 135 employees were trained on anti-corruption practices and are now comfortable in implementing the guidance principles learned. Our business partner compliance guide course was completed by 502 employees.

The senior management team of each Emerging Africa country received training on both anti-corruption and business partner compliance policies and 96% of computer users in the Company completed a electronic Code of Ethics refresher training.

In addition:

- All office-based employees completed digital training on anti-corruption with a 97% completion rate.
- Eligible employees obtained a 100% completion rate for digital training on business partner compliance, covering agent and intermediary corruption risk.
- Emerging Africa: Performed a review of specific compliance risks and provided tailored guidance for interactions with public bodies. Also performed are compliance, antitrust and bribery/corruption risk assessment exercises in nine Emerging Africa countries. The projects began in 2015 and remain ongoing.

Human rights

We believe that all people are entitled to treatment in line with the fundamental human rights within South Africa's constitution and are committed to upholding these rights, labour laws and standards across our business. Our human rights statement is available at http://www.afrox.co.za/en/corporate_responsibility/Index.html.

We strive to attain a workforce composition that is representative of our countries diverse demographics and stand for equal opportunity and fair treatment in all our operations and interactions with employees. Refer to page 58 of for transformation statistics and information.

We ensure that all managers and consultative forums are familiar with the Employment Equity Act. Consultative forums in partnership with the SET Committee manage employment equity issues, legislative compliance and set numerical targets for the Company. Senior management is held responsible for reaching equity targets.

All acts of discrimination brought to the Company's attention are reviewed and such incidents are dealt with firmly. No claims of discrimination were made in the year.

Conclusion

The SET Committee confirms believes that there has been no substantive non-compliance or non-adherence to legislation, regulation, codes of best practice, relevant to the committee's mandate in the year.

The Committee is proud to share that progress against the prior year has been made in line with expectations and in line with our new operating structure. We will continue to align our business reaction to the promulgated BBBEE Codes as best as possible and maintain our socially responsible reputation. Afrox was once again included in the JSE Socially Responsible Index (SRI) and looks forward to conquering the challenges in its future with all relevant stakeholders.



Dr Khotso Mokhele

Chairperson of the Social, Ethics and Transformation Committee