

## KING III CODE COMPLIANCE ASSESSMENT

Key: ✓ Compliant # Partially compliant \* Under review ø Not applicable

## PRINCIPLES

**Chapter 1 – Ethical leadership and corporate citizenship**

The board should provide effective leadership based on an ethical foundation	✓
The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
The board should ensure that the company's ethics are managed effectively	✓

**Chapter 2 – Board and directors**

The board should act as the focal point for and custodian of corporate governance	✓
The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
The board and its directors should act in the best interests of the company	✓
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act, 2008, as amended (note 1)	ø
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 (note 2)	✓
The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓
Directors should be appointed through a formal process	✓
The induction of and ongoing training and development of directors should be conducted through formal processes (note 3)	#
The board should be assisted by a competent, suitably qualified and experienced company secretary	✓
The evaluation of the board, its committees and the individual directors should be performed every year	✓
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓
A governance framework should be agreed between the group and its subsidiary boards (note 4)	#
Companies should remunerate directors and executives fairly and responsibly (note 5)	#
Companies should disclose the remuneration of each individual director and certain senior executives (Note 6)	#
Shareholders should approve the company's remuneration policy	✓

**Chapter 3 – Audit Committees**

The board should ensure that the company has an effective and independent audit committee	✓
Audit committee members should be suitably skilled and experienced independent non-executive directors (note 7)	#
The audit committee should be chaired by an independent non-executive director	✓
The audit committee should oversee integrated reporting (note 8)	#
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities (note 8)	#
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
The audit committee should be responsible for overseeing of internal audit	✓
The audit committee should be an integral component of the risk management process	✓
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
The audit committee should report to the board and shareholders on how it has discharged its duties	✓

**Chapter 4 – The governance of risk**

The board should be responsible for the governance of risk	✓
The board should determine the levels of risk tolerance	✓
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
The board should ensure that risk assessments are performed on a continual basis	✓
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
The board should ensure that management considers and implements appropriate risk responses	✓
The board should ensure continual risk monitoring by management	✓
The board should receive assurance regarding the effectiveness of the risk management process	✓
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓

**Chapter 5 – The governance of information technology**

The board should be responsible for information technology (IT) governance (note 9)	*
IT should be aligned with the performance and sustainability objectives of the company (note 9)	*
The board should delegate to management the responsibility for the implementation of an IT governance framework (note 9)	*
The board should monitor and evaluate significant IT investments and expenditure	✓
IT should form an integral part of the company's risk management	✓
The board should ensure that information assets are managed effectively (note 9)	*
A risk committee and audit committee should assist the board in carrying out its IT responsibilities (note 10)	#

## PRINCIPLES

### Chapter 6 – Compliance with laws, rules, codes and standards

The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
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	✓
Compliance risk should form an integral part of the company's risk management process	✓
The board should delegate to management the implementation of an effective compliance framework and processes	✓

### Chapter 7 – Internal Audit

The board should ensure that there is an effective risk based internal audit	✓
Internal audit should follow a risk based approach to its plan (note 11)	#
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	✓
The audit committee should be responsible for overseeing internal audit	✓
Internal audit should be strategically positioned to achieve its objectives	✓

### Chapter 8 – Governing stakeholder relationships

The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
The board should delegate to management to proactively deal with stakeholder relationships	✓
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
Companies should ensure the equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓

### Chapter 9 – Integrated reporting and disclosure

The board should ensure the integrity of the company's integrated report	✓
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
Sustainability reporting and disclosures should be independently assured (note 12)	#

#### Notes

1. It has not been necessary to consider business rescue proceedings.
2. Whilst the current chairman is independent, the next chairman, by definition, will not be independent at the time of his appointment and consequently a lead independent director will be appointed.
3. Given the experience of the members of the board, mentorship and professional development programmes have not been considered necessary.
4. As five of the company's six operating subsidiaries are registered in countries outside South Africa, these subsidiaries are guided by local reporting requirements, and the integrated reporting of subsidiary companies as contemplated by King III is not applicable.
5. Given the generally high-level of attendance at meetings, the board does not consider it appropriate for non-executive directors' fees to comprise a meeting attendance fee as well as a base fee. Fees are determined with due regard to relevant market surveys.
6. Whilst the remuneration of each individual director is disclosed, the board does not consider it appropriate to disclose the individual salaries of the three most highly-paid employees who are not directors. The aggregate salaries of these three individuals is disclosed in the Remuneration Report.
7. The current chairman of the board, who is an independent director, is a member but not the chairman of the Audit Committee. This is deemed to be appropriate so as to provide him with a full understanding of the matters considered by this Committee.
8. Whilst the Audit Committee reviews all disclosures in the annual report, responsibility for non-financial sustainability matters falls to the Risk Management Committee.
9. As one of the responsibilities of the Audit Committee, the present IT governance framework and processes are currently being enhanced to ensure further alignment with King III.
10. The Audit Committee, not the Risk Management Committee, has responsibility relative to IT risks.
11. Whilst the internal audit function does follow a risk-based approach to its plan, relative to the sub-principles dealing with the realisation of strategic goals, assurance in this regard is not included in the internal audit mandate. This is the responsibility of executive management.
12. The reporting on and the provision of assurance over non-financial sustainability issues is the responsibility of the Risk Management Committee. The independent assurance in respect of sustainability reporting and disclosures will be procured for the 2012 Annual Report.