

King III checklist

The Listings Requirements of the JSE require JSE-listed companies to report on the extent to which they comply with the principles incorporated in King III. The Board of directors believes the Group is compliant with King III and the JSE's Listings Requirements, except as listed below.

| Chapter | Principle | Principle description | Practice | Applied/partially applied/not applied | Commentary/evidence |
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| Chapter 1 | Principle 1.1 | The Board provides effective leadership based on ethical foundation. | The Board sets the values to which the Company will adhere and these are formulated in the Company's code of conduct. | Applied | The Board responsibilities in this regard are contained in the Board Charter, which is reviewed annually. The Board has ensured that a values and ethics programme has been rolled out and reviews and monitors the effectiveness thereof on an annual basis. |
| Chapter 1 | Principle 1.1 | The Board provides effective leadership based on ethical foundation. | All deliberations, decisions and actions of the Board are based on the principles of fairness, accountability, responsibility and transparency. | Applied | The Board has approved the Code of Ethics and conducts all business in accordance with the values contained in the Code of Ethics. The Board reviews the Code of Ethics through the NGMR Committee on an annual basis. |
| Chapter 1 | Principle 1.1 | The Board provides effective leadership based on ethical foundation. | Directors in performing their stewardship role exercise the following five moral duties: conscience, care, competence, commitment and courage. | Applied | The Board has approved the Code of Ethics and conducts all business in accordance with the values contained in the Code of Ethics. The Board reviews the Code of Ethics through the NGMR Committee on an annual basis. |
| Chapter 1 | Principle 1.2 | The Board ensures that the company is and is seen to be a responsible corporate citizen. | The Board considers not only financial performance, but also the impact of the Company's operations on society and the environment. | Applied | As disclosed in the Sustainability Report. |
| Chapter 1 | Principle 1.2 | The Board ensures that the company is and is seen to be a responsible corporate citizen. | The Board protects, enhances and invests in the wellbeing of the economy, society and the environment. | Applied | As disclosed in the Social, Ethics and Transformation Report and the Sustainability Report. |
| Chapter 1 | Principle 1.2 | The Board ensures that the company is and is seen to be a responsible corporate citizen. | The Board ensures that the Company performance and interaction with its stakeholders is guided by the Constitution and the Bill of Rights. | Applied | As disclosed in the Social, Ethics and Transformation Report. The Board ensures that formal stakeholder engagements take place regularly. |
| Chapter 1 | Principle 1.2 | The Board ensures that the company is and is seen to be a responsible corporate citizen. | The Board satisfies itself that the corporate citizenship strategy and business plans are not encumbered by risks that have not been thoroughly examined by management and as part of this process considers the reputational risks of the Company. | Applied | The Audit Committee reviews and assesses the Company's Top Risks on a regular basis and reports on the mitigation of these risks at each Board meeting. |

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| Chapter | Principle | Principle description | Practice | Applied/partially applied/not applied | Commentary/evidence |
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| Chapter 1 | Principle 1.3 | The Board ensures that the company ethics are managed effectively. | The Board ensures that ethical risks and opportunities are incorporated in the risk management process or ethics programme; i.e. an ethics risk and opportunity profile is compiled. | Applied | The Board is assisted by the Social, Ethics and Transformation Committee and Audit Committee to regularly review and monitor the Company's ethical risk profile. The Board regularly reviews the Company's Ethical Management Programme through its governance structures. |
| Chapter 1 | Principle 1.3 | The Board ensures that the company ethics are managed effectively. | The Board ensures that the Company's ethics performance is assessed, monitored, reported and disclosed. | Applied | The Board is assisted by the SET Committee and Audit Committee to regularly review and monitor the Company's ethical risk profile and ensures that the Company has an appropriate internal control framework and that it is implemented. There is an active "Integrity" line and investigations of non-compliance are carried out and the outcomes of disciplinary action are reported to the Board via the Audit Committee. |
| Chapter 1 | Principle 1.3 | The Board ensures that the company ethics are managed effectively. | The Board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, have been established and implemented. | Applied | Policies and procedures such as the Integrity Lines and guidelines regarding gifts, entertainment, anti-corruption and business partners have been put in place. Training on the Code of Ethics has been rolled out throughout the organisation. An Ethics and Compliance Committee is established at management level to further enhance ethics management, monitoring and reporting. The Board monitors and reviews the effectiveness of the Ethics and Compliance Committee annually. |
| Chapter 2 | Principle 2.1 | The Board acts as the focal point for and custodian of corporate governance. | The Board meets at least four times a year and ensures that the Company has instituted an appropriate control and management framework. | Applied | The Board meets a minimum of four times annually, attends regular director training and reviews the outcome of all internal and external audits and findings of the Group's Compliance department. |
| Chapter 2 | Principle 2.2 | The Board appreciates that the strategy, risk, performance and sustainability are inseparable. | The Board ensures that the strategy is aligned with the purpose of the Company, the value drivers of its business and the legitimate interests and expectations of its stakeholders. | Applied | The Company's Top risks are identified annually by executive management and linked to the strategic objectives to ensure sustainability. |

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| Chapter 2 | Principle 2.2 | The Board appreciates that the strategy, risk, performance and sustainability are inseparable. | The Board considers sustainability a business opportunity; i.e. long-term sustainability is linked to strategy and guides strategy. | Applied | The Board reviews and approves strategy, as well as approving the budget and related incentives. |
| Chapter 2 | Principle 2.14 | The Board and its directors act in the best interests of the company. | Directors are permitted to take independent advice in connection with their duties at Company cost following a Board approved procedure. Real or perceived conflicts of interest are disclosed to the Board and managed appropriately. The Company has a policy regarding dealing in securities by directors, officers and selected employees. | Applied | As disclosed in the Governance section of the Integrated Report. |
| Chapter 2 | Principle 2.15 | The Board will/has considered business rescue proceedings or other turnaround mechanisms as soon as the company has been/ may be financially distressed as defined in the Companies Act of South Africa. | The Board continually monitors whether the Company is financially distressed; i.e. if it appears reasonably unlikely that the Company will be able to pay its debts as they fall due and payable within the ensuing 12 months or become insolvent within the ensuing 12 months. | Applied | The Board and Audit Committee monitor the Company's going-concern status twice a year and have positively concluded that the Company will continue as a going concern for at least the next 12 months to 28 February 2016. |
| Chapter 2 | Principle 2.16 | The Board has elected a chairman of the board who is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman of the Board. | The Chairman of the Board is a non-executive director and the acting Managing Director from 22 January 2015 due to the departure of the Managing Director. | Not applied | Explanation contained in the Governance Report. As a mitigating factor Dr Khotso Mokhele, an independent non-executive director, was elected as a lead independent director. The Board is of the opinion that it is in the best interest of the organisation that the Chairman assumes the executive responsibilities of the Managing Director in the interim period while a selection process for an appropriate candidate is underway. |
| Chapter 2 | Principle 2.16 | The Board has elected a chairman of the Board who is an independent non-executive director. | The Nominations Committee oversees a formal succession plan for the Board, CEO and the senior executive appointments, in particular those of directors. | Not applied | The Nominations, Governance and Management of Human Resources Committee formally oversees all succession plans which is a standing item on the Committee Agenda. Refer to explanation above. |
| Chapter 2 | Principle 2.17 | The Board has established a framework for the delegation of authority. | The Board has a formal and written delegation of authority matrix. | Applied | The delegation of authority matrix is reviewed by the Board annually. |

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| Chapter 2 | Principle 2.18 | The Board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent. | The Board comprises a majority of non-executive directors. | Applied | The Board of Directors comprises ten directors, eight are non-executive and two are (Financial director and acting Managing Director) executive directors. |
| Chapter 2 | Principle 2.19 | Directors are appointed through a formal process. | Procedures for appointments to the Board are formal and transparent and are a matter for the Board as a whole, assisted by the NGMR Committee. | Applied | The Board makes director appointments in line with a documented director appointment process, and are assisted by the NGMR committee. |
| Chapter 2 | Principle 2.20 | The induction of and ongoing training, as well as the development of directors are conducted through a formal process. | Comprehensive director induction takes place when a new director is appointed and director training is conducted on a regular basis. | Applied | Comprehensive director induction manual and director training presentations and materials. |
| Chapter 2 | Principle 2.21 | The Board is assisted by a competent, suitably qualified and experienced company secretary. | The Company Secretary is empowered by the Board to effectively perform her duties and performs her functions as specified in the Companies Act. | Applied | The Board appraises the performance and suitability of the Company Secretary on an annual basis by means of a questionnaire and feedback is provided to the Company Secretary. The role of the Company Secretary is formalised and the Company Secretary maintains an arm's length relationship with the Board. |
| Chapter 2 | Principle 2.22 | The evaluation of the Board, its committees and individual directors is performed every year. | The Board determines its own role, functions, duties and performance criteria as well as that for directors on the Board and the Board and Board committees to serve as a benchmark for performance appraisal. | Applied | The Board and its Committees all conduct self-evaluation exercises on an annual basis. |
| Chapter 2 | Principle 2.23 | The Board delegates certain functions to well-structured committees without abdicating from its own responsibilities. | The Board has established the appropriate committees with clear mandates. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 2 | Principle 2.25 | The company remunerates its directors and executives fairly. | The NGMR Committee oversees the remuneration policies and practices that address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes. | Applied | As per the Governance and Remuneration Report |

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| Chapter 2 | Principle 2.25 | The company remunerates its directors and executives fairly. | The NGMR Committee advises on the remuneration of non-executive directors based on recommendations of the executive directors. | Applied | The NGMR considers the remuneration of non-executive directors and makes recommendations to the shareholders at the Annual General Meeting for approval, as disclosed in the Remuneration Report. |
| Chapter 2 | Principle 2.25 | The company remunerates its directors and executives fairly. | Non-executive fees comprise a base fee and attendance fee per meeting. | Applied | As disclosed in the Remuneration Report. |
| Chapter 2 | Principle 2.26 | The company has disclosed the remuneration of each individual director and prescribed officer. | The Remuneration Report includes details of all benefits paid and awarded to directors and prescribed officers. | Applied | As disclosed in the Remuneration Report. |
| Chapter 2 | Principle 2.27 | The shareholders have approved the company's remuneration policy. | Shareholders pass a non-binding advisory vote on the Company's remuneration policy every year. | Applied | Shareholders pass a non-binding advisory vote on the remuneration policy as disclosed in the 2015 AGM Notice. |
| Chapter 3 | Principle 3.1 | The Board has ensured that the company has an effective and independent audit committee. | The Audit Committee comprises three independent non-executive directors who are appropriately qualified. | Fully applied | As disclosed in the Governance Report. |
| Chapter 3 | Principle 3.2 | Audit committee members are suitably skilled and experienced independent non-executive directors. | This is assessed by the NGMR and the Chairman. | Applied | The Audit Committee members' expertise, qualification and experience as disclosed online are considered to be appropriate. |
| Chapter 3 | Principle 3.2 | Audit committee members are suitably skilled and experienced independent non-executive directors. | Audit Committee members collectively have knowledge and experience on financial risks, financial and sustainability reporting, and internal controls. | Applied | The summarised CVs evidencing the qualifications and experience of the Audit Committee members are available online at www.afrox.co.za/en/investor_relations/Index.html . |
| Chapter 3 | Principle 3.3 | The audit committee is chaired by an independent non-executive director. | The chairperson of the Audit Committee is an independent non-executive director and not the Chairperson of Board. | Applied | The Audit Committee is chaired by Mr Chris Wells, who is an independent non-executive director. |

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| Chapter 3 | Principle 3.4 | The audit committee oversees integrated reporting. | The Audit Committee has regard to all factors and risks that may impact on integrity of the Integrated Report; e.g. judgements, changes in accounting policies, significant or unusual transactions, factors that may predispose management to present misleading information, any evidence that brings into question any previously published financial information, etc. | Applied | As disclosed in the online Audit Committee Report, the integrated report process was overseen by the Committee and the Integrated Report was specifically approved. |
| Chapter 3 | Principle 3.5 | The audit committee has ensured that a combined assurance model has been applied which provides a coordinated approach to all assurance activities. | The Audit Committee ensures that combined assurance received is appropriate to address all significant risks facing the Company. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 3 | Principle 3.6 | The audit committee is satisfied with the expertise, resources and experience of the company's finance function. | The results of the review of the Finance function by the Audit Committee are disclosed in the online report. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 3 | Principle 3.7 | The audit committee should be responsible for overseeing internal audit. | The Audit Committee oversees the Internal Audit function. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 3 | Principle 3.8 | The audit committee is an integral component of the risk management process. | The Audit Committee has oversight of the Company's risk management. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 3 | Principle 3.9 | The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process. | The Audit Committee approves the external auditors' terms of engagement and remuneration. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 3 | Principle 3.10 | The audit committee has reported to the Board and the shareholders as to how it has discharged its duties. | The Audit Committee reports internally to the Board on its statutory duties and duties assigned to it by the Board and externally via the Audit Committee Report. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 4 | Principle 4.1 | The Board is responsible for the governance of risk. | The Board has assigned the oversight of the governance of risk to the Audit Committee. | Applied | As disclosed in the online Audit Committee Report – The Company's risk process is evaluated once per year and the assessment of top risks three times per year together with the mitigation plans. |

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| Chapter 4 | Principle 4.2 | The Board has determined the levels of risk tolerance. | The Board monitors that risks taken are within the tolerance and appetite levels. | Applied | The Audit Committee reviews and assesses the Company's Top risks on a regular basis. |
| Chapter 4 | Principle 4.3 | The risk committee and/or audit committee has assisted the Board in carrying out its risk responsibilities. | The Audit Committee oversees risk management of behalf of the Board. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 4 | Principle 4.4 | The Board has delegated to management the responsibility to design, implement and monitor the risk management plan. | The Board's risk policy and plan is implemented by management by means of risk management systems and processes. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 4 | Principle 4.5 | The Board has ensured that risk assessments are performed on a continual basis. | The Board ensures that effective and ongoing risk assessments are performed. | Applied | The Audit Committee reviews and assesses the Company's Top risks on a regular basis. |
| Chapter 4 | Principle 4.6 | The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. | The Board monitors these risks through the risk management process. | Applied | The Audit Committee reviews and assesses the Company's Top risks on a regular basis. |
| Chapter 4 | Principle 4.7 | The Board has ensured that management has considered and has implemented appropriate risk responses. | Risk management mitigation plans are devised by Management and presented to the Audit Committee and Board. | Applied | The Audit Committee reviews and assesses the Company's Top risks on a regular basis. |
| Chapter 4 | Principle 4.8 | The Board has ensured the continual risk monitoring by management. | The Board ensures that effective and continuous monitoring of risk management takes place. | Applied | The Audit Committee reviews and assesses the Company's Top risks on a regular basis as well as the process followed to identify, evaluate, record and report identified risks. |
| Chapter 4 | Principle 4.9 | The Board has received assurance regarding the effectiveness of the risk management process. | The Audit Committee reports on this process three times per annum. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 4 | Principle 4.10 | The Board has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders. | This is done via the Integrated Report. | Applied | As disclosed in the Integrated Report. |
| Chapter 5 | Principle 5.1 | The Board is responsible for information technology (IT) governance. | The Audit Committee assists the Board in overseeing the IT governance. | Applied | As disclosed in the online Audit Committee Report. |

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| Chapter 5 | Principle 5.2 | IT has been aligned with the performance and sustainability objectives of the company. | The Board ensures that IT strategy is integrated with the Company's strategic and business processes. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 5 | Principle 5.3 | The Board has delegated to management the responsibility for the implementation of an IT governance framework. | Management is responsible for the implementation of all the structures, processes and mechanisms for the IT governance framework. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 5 | Principle 5.4 | The Board monitors and evaluates significant IT investments and expenditure. | The Board oversees the value delivery of IT and monitors the return on investment from significant IT projects. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 5 | Principle 5.4 | The Board monitors and evaluates significant IT investments and expenditure. | Management provides regular reports on all significant IT projects and expenditures to the Board. | Applied | As per the Governance approach section of the Integrated Report. IT projects form part of the Company's normal capital evaluation practices. All major capital expenditure is specifically approved by the Board. Minor expenditure is tracked against the approved budget. |
| Chapter 5 | Principle 5.5 | IT is an integral part of the Company's risk management plan. | IT risks form an integral part of the Company's risk management activities. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 5 | Principle 5.6 | The Board ensures that information assets are managed effectively. | The Board monitors the IT function and receives regular reports on the management of strategic information assets. | Applied | As per the Governance approach section of the Integrated Report. |
| Chapter 5 | Principle 5.7 | A risk committee and audit committee assists the Board in carrying out its IT responsibilities. | The Audit Committee assists the Board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes as well as through the appropriate policies. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 6 | Principle 6.1 | The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. | The Company has a system in place to ensure compliance with all applicable laws and regular Company-wide training is rolled out to ensure ongoing legal compliance. | Applied | The Company has a legal/secretarial department that ensures that all laws and regulations are adhered to as well as formal policies, practices and processes designed to ensure compliance. The Company is in the process of formalising a comprehensive legal and compliance framework to further enhance the governance in the organisation. |

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| Chapter 6 | Principle 6.2 | The Board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business. | The induction or ongoing training programmes of directors incorporate an overview of and changes to applicable laws, rules, codes and standards. | Applied | The Company Secretary is responsible for the continuous training of the Board of directors as well as updating them on the laws and regulation applicable. |
| Chapter 6 | Principle 6.3 | Compliance risk should form an integral part of the company's risk management process. | The risk of non-compliance or breaches is identified, assessed and responded to through the risk management processes. | Applied | The internal auditors and compliance department regularly report to the Audit Committee on the outcome of their audits. |
| Chapter 6 | Principle 6.4 | The Board should delegate to management the implementation of an effective compliance framework and processes. | Management has established the applicable frameworks, structures and processes to ensure effective compliance and to monitor the risk of non-compliance. | Applied | The internal auditors and compliance department regularly report to the Audit Committee on the outcome of their audits. |
| Chapter 7 | Principle 7.1 | The Board should ensure that there is an effective risk based internal audit. | The Company has established an internal audit function. | Applied | The Audit Committee reviews both the Company's internal and external audit plans as well as the Compliance department's plans to ensure that efforts are aimed at the appropriate risks. |
| Chapter 7 | Principle 7.2 | Internal Audit should follow a risk based approach to its plan. | The Internal Audit Plan and approach is informed by strategy and risk assessment of the Company. | Applied | Internal audit has a charter and its annual plan is approved by the Audit Committee annually. |
| Chapter 7 | Principle 7.3 | Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management. | Internal controls are established over not only financial matters, but also operational, compliance and sustainability issues. | Applied | Internal controls are in place and are assessed by the internal audit department. |
| Chapter 7 | Principle 7.3 | Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management. | Internal audit provides a written assessment of the system of internal controls and risk management to the Audit Committee and the Board. | Applied | Internal audit reports directly to the Audit Committee and its reports are reviewed by the Audit Committee. |
| Chapter 7 | Principle 7.4 | The audit committee should be responsible for overseeing internal audit. | The Audit Committee approves the Annual Internal Audit Plan and monitors the performance and function of the internal audit function. | Applied | As disclosed in the online Audit Committee Report. |
| Chapter 7 | Principle 7.5 | Internal audit should be strategically positioned to achieve its objectives. | The internal audit function is independent and objective. | Applied | As disclosed in the online Audit Committee Report. |

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| Chapter 8 | Principle 8.1 | The Board should appreciate that stakeholders' perceptions affect a company's reputation. | The gap between stakeholder perceptions and the performance of the Company is managed and measured to enhance or protect the Company's reputation. | Applied | As disclosed in the "Our stakeholders" section of the Integrated Report. |
| Chapter 8 | Principle 8.2 | The Board should delegate to management to proactively deal with stakeholder relationships. | The Board has delegated the management of stakeholder relationships to the Chief Executive. | Applied | Regular meetings are held between the executive directors and key stakeholders around the external results announcements as well as other matters of interest to the stakeholders. Information obtained from stakeholders is taken into account by the Board in the evaluation of strategy and performance. |
| Chapter 8 | Principle 8.3 | The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company. | The Board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the Company. | Applied | The Board is sufficiently independent to protect the interests of all shareholders. |
| Chapter 8 | Principle 8.4 | Companies should ensure the equitable treatment of shareholders. | There is equitable treatment of all holders of the same class of shares issued which ensures that the minority shareholders are protected. | Applied | The Board is sufficiently independent to protect the interests of all shareholders. |
| Chapter 8 | Principle 8.6 | The Board should ensure that disputes are resolved effectively and expeditiously as possible. | This is a key responsibility of both the lead independent director and the Chairman. | Applied | No disputes were reported during 2014. |
| Chapter 9 | Principle 9.1 | The Board should ensure the integrity of the company's Integrated Report. | The Company has controls to enable it to verify and safeguard the integrity of its Integrated Report. | Applied | The Audit Committee reviews the Integrated Report. |
| Chapter 9 | Principle 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting. | Financial and non-financial performance has been included in the Annual Financial Statements. | Applied | The information is disclosed in the Integrated Report as well as the annual financial statements |
| Chapter 9 | Principle 9.3 | Sustainability reporting and disclosure should be independently assured. | Processes are in place to have the Sustainability Report independently assured going forward. | Not applied | The process will be finalised in the near future. |