

EFFICIENT + GROUP

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Integrated Report 2013 - Application of King III



CORPORATE GOVERNANCE

Application of King III

The company has continued its focus on the principles of good corporate governance during the year under review, and the board is satisfied that the principles prescribed in King III are applied, to a material degree, throughout the organisation. To the extent that these principles are not complied with, such non-compliance is explained in the appropriate sections of this report (see specifically the sections under the headings *Composition, Board Committees, Audit and Risk Committee* and *Company Secretary* below for more information in this regard). A summary of the company's compliance with these principles is available on the Efficient Group website at www.efgroup.co.za.

Principle(s)	Apply	Partially Apply	Under Review/Do Not Apply
In terms of King III, the board should -			
Provide effective leadership based on an ethical foundation	✓		
Ensure that the company is and is seen to be a responsible corporate citizen	✓		
Ensure that the company's ethics are managed effectively	✓		
Act as focal point for and custodian of corporate governance	✓		
Appreciate that strategy, risk, performance and sustainability are inseparable	✓		
Act in the best interests of the company	✓		
Consider business rescue proceedings or turnaround mechanisms as soon as the company is financially distressed, as defined in the Companies Act	✓		
Elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the board		✓ ¹	
Appoint the CEO and establish a framework for the delegation of authority	✓		
Comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent		✓ ²	
Be appointed through a formal process	✓		
Ensure that the induction of and on-going training and development of directors are conducted through formal processes	✓		
Be assisted by a competent, suitably qualified and experienced company secretary		✓ ³	
Ensure that performance of the board, its committees and the individual directors are formally evaluated every year	✓		
Delegate certain functions to well-structured committees but without abdicating its own responsibilities		✓ ⁴	
Agree with its subsidiary boards on a governance framework	✓		
Ensure that directors and executives are remunerated fairly and responsibly	✓		
Ensure that the remuneration of each individual director and certain senior executives are disclosed	✓		
Ensure that shareholders approve the company's remuneration policy	✓		
Ensure that the company has an effective and independent audit committee, subject to the following principles:	✓		
<ul style="list-style-type: none"> members should be suitably skilled and experienced independent non-executive directors 		✓ ⁵	
<ul style="list-style-type: none"> chaired by an independent non-executive director 	✓		
<ul style="list-style-type: none"> oversee integrated reporting 	✓		
<ul style="list-style-type: none"> ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities 	✓		
<ul style="list-style-type: none"> satisfy itself of the expertise, resources and experience of the company's finance function 	✓		

<ul style="list-style-type: none"> be responsible for overseeing of internal audit 	✓		
<ul style="list-style-type: none"> be an integral component of the risk management process 	✓		
<ul style="list-style-type: none"> recommend appointment of the external auditor and oversee the external audit process 	✓		
<ul style="list-style-type: none"> report to the board and shareholders on how it has discharged its duties 	✓		
<ul style="list-style-type: none"> assist the board in carrying out its risk responsibilities 	✓		
<ul style="list-style-type: none"> assist the board in carrying out its IT responsibilities 	✓		
Be responsible for the governance of risk	✓		
Determine the levels of risk tolerance	✓		
Delegate to management the responsibility to design, implement and monitor the risk management plan	✓		
Ensure that risk assessments are performed on a continual basis	✓		
Ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓		
Ensure that management considers and implements appropriate risk responses	✓		
Ensure continual risk monitoring by management	✓		
Receive assurance regarding the effectiveness of the risk management process	✓		
Ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓		
Be responsible for IT governance	✓		
Ensure that IT is aligned with the performance and sustainability objectives of the company	✓		
Delegate to management the responsibility for the implementation of an IT governance framework	✓		
Monitor and evaluate significant IT investments and expenditure	✓		
Ensure that IT forms an integral part of the company's risk management	✓		
Ensure that information assets are managed effectively	✓		
Ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓		
Have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓		
Ensure that compliance risk forms an integral part of the company's risk management process	✓		
Delegate to management the implementation of an effective compliance framework and processes	✓		
Ensure that there is an effective risk based internal audit	✓		
Ensure that internal audit follows a risk-based approach to its plan	✓		
Ensure that internal audit provides a written assessment of the effectiveness of the company's system of internal controls and risk management	✓		
Ensure that internal audit is strategically positioned to achieve its objectives	✓		
Appreciate that stakeholders' perceptions affect the company's reputation	✓		
Delegate to management to proactively deal with stakeholder relationships	✓		
Strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓		
Ensure the equitable treatment of shareholders	✓		
Ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓		
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 disclosure should be independently assured	✓		
Realise that transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓		
<ol style="list-style-type: none"> 1 See the sub-section <i>Composition</i> under the heading <i>The Efficient Group Board</i> in Integrated Report. 2 See the sub-section <i>Composition</i> under the heading <i>The Efficient Group Board</i> in Integrated Report. 3. See the sub-section <i>Company Secretary</i> in Integrated Report. 4. See the sub-section <i>Board Committees</i> in Integrated Report. 5. See the sub-section <i>Audit and Risk Committee</i> under the heading <i>Board Committees</i> in Integrated Report. 			

Adv. Rudi Barnard
Company Secretary
5 November 2013