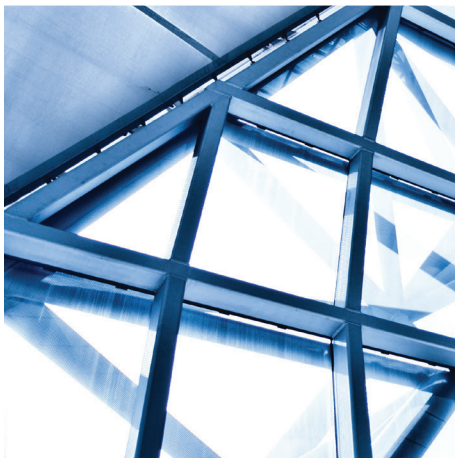


# EFFICIENT + GROUP



Integrated Report 2015  
Application of King III

Think Efficient. Realise potential.

## KING III Application

The company continuously reviews the extent to which Efficient Group applies the principles and recommended practices in King III. This review identifies the governance principles already being applied and those which the company needs to address or further entrench. We confirm that the group applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures.

The table below summarises the extent to which the company applies King III.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 1: Ethical Leadership and Corporate Citizenship</b>			
Principle 1.1	The Board provides effective leadership based on ethical foundation	Applied	The Board confirms its commitment to the highest standards of corporate governance. The Board Charter and the Code of Conduct and Ethics Policy adopted by the Board set the ethical foundation for how the Company operates.
Principle 1.2	The Board ensures that the company is and is seen to be a responsible corporate citizen	Applied	The Board, assisted by the Remuneration, Ethics and Social Committee, ensures that the group protects, enhances and invests in the wellbeing of the economy, society and natural environment, and pursues its activities within the confines of social, political and environmental responsibilities outlined in applicable codes, standards and legislation.
Principle 1.3	The Board ensures that the company ethics are managed effectively	Applied	Through the Code of Conduct and Ethics Policy, the Board is responsible for ensuring that the Company protects, enhances and contributes to the wellbeing of the economy, society and natural environment.
<b>Chapter 2 - Boards and Directors</b>			
Principle 2.1	The Board acts as the focal point for and custodian of corporate governance	Applied	The Board ensures that the group applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices through the group's governance structures, systems, processes and procedures.
Principle 2.2	The Board appreciates that strategy, risk, performance and sustainability are inseparable	Applied	The Board approves and monitors the implementation of the strategy and business plan of the group, sets objectives, reviews key risks and evaluates the performance of the group against the background of economic, environmental and social issues relevant to the Company and global economic conditions. In order to perform this function, the Board holds annual strategy sessions with management.
Principle 2.3	The Board provides for effective leadership based on ethical foundation	Applied	See principle 1.1
Principle 2.4	The Board ensures that the company is and is seen as a responsible corporate citizen	Applied	See principle 1.2

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 2 (continued): Boards and Directors</b>			
Principle 2.5	The Board ensures that the company's ethics are managed effectively	Applied	See principle 1.3
Principle 2.6	The Board ensures that the company has an effective and independent audit committee	Applied	See principle 3.1
Principle 2.7	The Board is responsible for the governance of risk	Applied	See principle 4.1
Principle 2.8	The Board is responsible for information technology (IT) governance	Applied	See principle 5.1
Principle 2.9	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	See principle 6.1
Principle 2.10	The Board ensures that there is an effective risk-based internal audit	Applied	See principle 7.1
Principle 2.11	The Board should appreciate that stakeholder's perceptions affect a Company's reputation	Applied	See principle 8.1
Principle 2.12	The Board ensures the integrity of the company's integrated report	Applied	See principle 9.1
Principle 2.13	The Board ensures the integrity of the company's integrated report	Applied	Based on the report of the Audit and Risk Committee and the written assessment of the company's internal auditor, the board reports on the effectiveness of the company's system of internal controls.
Principle 2.14	The Board reports on the effectiveness of the company's internal controls	Applied	In its deliberations, decisions and actions, the board is sensitive to the legitimate interests and expectations of the company's stakeholders. The board has approved a policy on dealing in shares and directors declare conflicts of interest at Board meetings. The Board as a whole acts as a steward of the Company and each Director acts with independence of mind in the best interests of the Company and its stakeholders.
Principle 2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Company's Act, 71 of 2008	Applied	The Board is aware of the requirements of the Companies Act regarding business rescue. The Company has established a risk management process that continuously evaluates controllable and non-controllable risks, threats and opportunities to ensure that the Company is operating optimally and is not in distress.
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	Applied	Dr Steve Booysen, an independent non-executive director, is Chairman of the Board and Mr Heiko Weidhase, an executive director, is Chief Executive Officer. The roles of the chairman and chief executive are thus separated and clearly defined.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 2 (continued): Boards and Directors</b>			
Principle 2.17	The Board has appointed the Chief Executive Officer and has established a framework for the delegation of authority	Applied	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated to the Chief Executive Officer and other executive director's authority to run the day-to-day affairs of the company subject to an approval framework established by the Board.
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	Applied	Six of the eleven directors are non-executive directors, of whom four are independent, thus creating a suitable balance of power.
Principle 2.19	Directors are appointed through a formal process	Applied	To ensure a rigorous and transparent process, any new appointment of a Director is considered by the Board as a whole, on the recommendation of the Nomination Committee. The selection process involves considering the existing balance of skills and experience on the Board and a continual process of assessing the needs of the Company.
Principle 2.20	The induction of and on-going training, as well as the development of directors, are conducted through a formal process	Applied	The Company Secretary is responsible for the induction of new directors in accordance with an established programme and based on the needs of each new director. Director development is offered on a continuous basis depending on directors' training needs.
Principle 2.21	The board is assisted by a competent, suitably qualified and experienced company secretary	Applied	Mr Rudi Barnard is the incumbent Company Secretary. Due to his recent appointment as Chief Operating Officer, Mr Jonathan Nyahuye will assume office as Company Secretary with effect from 1 December 2015. The Board is satisfied that Mr Jonathan Nyahuye is properly qualified and experienced to competently carry out the duties and responsibilities of Company Secretary.
Principle 2.22	The evaluation of the board, its committees and individual directors is performed every year	Partially Applied	The performance of the Board as a whole is evaluated annually, while the performance of board committees is evaluated biennially.
Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating from its own responsibilities	Applied	The Board has four committees that assist it in discharging its duties and responsibilities. These committees operate in accordance with written terms of reference approved by the Board and reviewed biennially.
Principle 2.24	A governance framework has been agreed upon between the group and its subsidiary	Applied	An Investment and Corporate Governance Framework has been formally adopted by the board and agreed to by subsidiaries. Although this Framework provides definitive guidelines for subsidiary boards of directors, the Board is pragmatic in its approach and continuously reviews the Framework based on input provided by executives and subsidiary boards.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 2 (continued): Boards and Directors</b>			
Principle 2.25	The company remunerates its directors and executives fairly	Applied	The Board determines the remuneration of directors and executives based on recommendations made by the remuneration committee, taking into account market conditions, expert advice from remuneration specialists and in accordance with a remuneration structure and policy approved by the Board.
Principle 2.26	The company has disclosed the remuneration of each individual director and prescribed officer	Applied	The Board approves the remuneration report prepared by the remuneration committee. The report discloses the remuneration of each individual director and prescribed officers in line with the Companies Act.
Principle 2.27	The shareholders have approved the company's remuneration policy	Applied	The Company's remuneration policy, approved by the Board on recommendation of the remuneration committee, is tabled for a non-binding advisory vote at each annual general meeting of shareholders.
<b>Chapter 3 - Audit Committee</b>			
Principle 3.1	The Board has ensured that the company has an effective and independent Audit Committee	Applied	The Board has constituted a combined Audit and Risk Committee in accordance with the provisions of a formally adopted Audit and Risk Committee Charter.
Principle 3.2	Audit Committee members are suitably skilled and experienced, independent non-executive directors	Applied	All members of the committee are independent non-executive directors. Audit Committee members are appointed or re-appointed, as the case may be, by shareholders at each AGM and all members are suitably qualified and skilled to act as a member of the Audit and Risk Committee.
Principle 3.3	The Audit Committee is chaired by an independent non-executive director	Applied	Mr Joe Rosen, an independent non-executive director, is the Chairman of the Committee.
Principle 3.4	The Audit Committee oversees integrated reporting	Applied	In terms of its Charter, the Audit and Risk Committee is responsible to oversee integrated reporting.
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	Applied	The Company is committed to appointing service providers to provide independent assurance on both the financial and non-financial aspects of the business based upon their specific expertise and experience. The Company has developed and implemented a combined assurance model. Its application is monitored by the Audit and Risk Committee
Principle 3.6	The Audit Committee is satisfied with the expertise, resources and experience of the company's finance function	Applied	Annually, the Audit and Risk committee evaluates the expertise and experience of the Group Financial Director as well as the level of financial experience and qualifications of all the financial staff members in the company.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 3 (continued): Audit Committee</b>			
Principle 3.7	The Audit Committee should be responsible for overseeing internal audit	Applied	The committee approved the internal audit plan for 2015 and monitors the performance of internal audit.
Principle 3.8	The Audit Committee is an integral component of the risk management process	Applied	The Company has a combined Audit and Risk committee, which annually reviews the effectiveness of the risk management process in the company.
Principle 3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	Annually, the Audit Committee reviews the independence and performance of the external auditors, including the professional suitability of the lead auditor, and recommends the appointment to the Board and shareholders for the ensuing financial year.
Principle 3.10	The Audit Committee has reported to the board and the shareholders as to how it has discharged its duties	Applied	The Audit and Risk Committee reports to the Board at each Board meeting. A report to shareholders on how the Committee discharged its duties is included in the Integrated Annual Report.
<b>Chapter 4 - The Governance of Risk</b>			
Principle 4.1	The Board is responsible for the governance of risk	Applied	In terms of its Charter, the Board is responsible for the governance of risk. The Board has delegated this function to the Audit and Risk Committee, who reports back to the Board at each board meeting.
Principle 4.2	The Board has determined the levels of risk tolerance	Applied	The Board, through the Audit and Risk Committee, monitors the controls and residual risk profile of the principal risks of the Group against set criteria and tolerance levels and periodically reviews the levels of risk tolerance.
Principle 4.3	The Risk Committee and/or Audit Committee has assisted the Board in carrying out its risk responsibilities	Applied	The Audit and Risk Committee reviews all aspects of the risk function for which the Board is responsible.
Principle 4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan	Applied	Management is accountable to the board, through the Audit and Risk Committee, for embedding the risk management process in the business. Day-to-day responsibility for risk management rests with the executive- and senior management.
Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis	Applied	Risk assessments are performed regularly at operational, divisional and corporate levels. The formalised risk assessment process identifies risks, threats and opportunities.
Principle 4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	Management utilises workshop methodology, quarterly on-site visits and ad hoc one-on-one meetings as the basis upon which the risk assessments are conducted, so as to increase the probability of unpredictable risks being identified, considered and mitigated.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 4 (continued): The Governance of Risk</b>			
Principle 4.7	The Board has ensured that management has considered and has implemented appropriate risk responses	Applied	The implementation of controls, existing and new, is monitored by the Audit and Risk Committee on an on-going basis.
Principle 4.8	The Board has ensured continual risk monitoring by management	Applied	Refer principle 4.6.
Principle 4.9	The Board has received assurance regarding the effectiveness of the risk management process	Applied	The internal audit function performed by Ashton Group, regular feedback from management and compliance reports from the Group's external Compliance Officers provide assurance to the Audit and Risk Committee and the Board regarding the efficacy of the risk management process.
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	Applied	The Board discloses the top risks facing the Group in its Integrated Report ("material issues").
<b>Chapter 5 - The Governance of Information Technology</b>			
Principle 5.1	The Board is responsible for information technology (IT) governance	Applied	In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Board with information technology governance.
Principle 5.2	IT has been aligned with the performance and sustainability objectives of the company	Applied	Information technology strategy and procedures are aligned with the strategic objectives of the company.
Principle 5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework	Applied	The IT committee, which is a management committee, is empowered to guide IT governance in the Group.
Principle 5.4	The Board monitors and evaluates significant IT investments and expenditure	Applied	The IT committee monitors the performance of all major IT projects in the Group and reports to the board via the Audit and Risk Committee.
Principle 5.5	IT is an integral part of the company's risk management plan	Applied	IT risk management is integrated into the risk management framework.
Principle 5.6	The Board ensures that information assets are managed effectively	Applied	The IT committee is responsible for the management of information assets and expenditure.
Principle 5.7	A Risk Committee and Audit Committee assists the board in carrying out its IT responsibilities	Applied	The Audit and Risk Committee's Terms of Reference provides for the Audit and Risk Committee to assist the Board with this function.
<b>Chapter 6 - Compliance with Laws ,Rules ,Codes and Standards</b>			
Principle 6.1	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Board has delegated this function to the Audit and Risk Committee, who receives regular reports from management and external assurance providers on the Group's legal and regulatory compliance.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 6 (continued): Compliance with Laws ,Rules ,Codes and Standards</b>			
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	Applied	Updates in applicable laws, rules and codes are included on the agendas of Board and Board Committee meetings. All directors have a working understanding of applicable regulations and laws.
Principle 6.3	Compliance risk should form an integral part of the company's risk management process	Applied	The risk of non-compliance forms part of the operational risk assessments and compliance assessments are performed throughout the Group. The risk of non-compliance is included on the risk register.
Principle 6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	Applied	A comprehensive compliance framework has been adopted by management and is continuously monitored by the Group's external compliance officers.
<b>Chapter 7 - Internal Audit</b>			
Principle 7.1	The Board should ensure that there is an effective risk based internal audit	Applied	The Company has an internal audit function which is currently outsourced to Ashton Group. The Internal Audit Charter is regularly reviewed and requires the performance of risk based internal audits.
Principle 7.2	Internal Audit should follow a risk-based approach to its plan	Applied	The risk based internal audit plan is approved annually by the Audit and Risk Committee.
Principle 7.3	Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	The internal auditor submits formal reports to the Audit and Risk Committee.
Principle 7.4	The Audit Committee should be responsible for overseeing internal audit	Applied	The Audit Committee approves the annual internal audit work plan and monitors the performance of internal audit. The internal auditor is a standing invitee to all Audit and Risk Committee meetings.
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives	Applied	The internal audit function is outsourced to Ashton Group. The chief internal auditor has unrestricted access to members of the audit committee and to executive and senior management.
<b>Chapter 8- Governing Stakeholder Relationship</b>			
Principle 8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	The Company engages its stakeholders on multiple levels and this allows the Company to manage issues effectively and timeously, which reduces the likelihood of reputational risks. Furthermore, the Company's Ethics Risk Profile is primarily based on the perceptions of stakeholders, which ensures that threats to the Company's reputation are managed within acceptable risk parameters. A table of stakeholders and engagements is included in the Integrated Annual Report.



Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 8 (continued): Governing Stakeholder Relationship</b>			
Principle 8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Applied	A wide range of formal and informal stakeholder engagement processes are undertaken across the Group.
Principle 8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	Applied	Stakeholders are identified through a wide range of channels. Where concerns are legitimate, the company addresses these, listens to suggestions and engages honestly.
Principle 8.4	Companies should ensure the equitable treatment of shareholders	Applied	The Company acts in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the treatment of shareholders.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	The Code of Conduct and Ethics Policy includes the Company's communication policy to ensure that timely, relevant, accurate and honest information is provided to all stakeholders.
Principle 8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	Disputes are handled in accordance with approved dispute resolution processes, the primary objective being to ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.
<b>Chapter 9 - Integrated Reporting and Disclosure</b>			
Principle 9.1	The Board should ensure the integrity of the company's integrated report	Applied	The Board reviews and approves the integrated report on the recommendation of the Audit and Risk Committee. Structured authorisation and review processes are in place which include board subcommittees and internal assurance reviews.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	An integrated report is produced annually, which includes feedback on the Group's sustainability. Reporting includes financial and non-financial aspects such as strategy, risk, environmental, social and governance issues. Reporting is prepared in line with recognised guidelines that include International Financial Reporting Standards (IFRS), King III and Global Reporting Initiative (GRI G3).
Principle 9.3	Sustainability reporting and disclosure should be independently assured	Not Applied	The sustainability report is not independently reviewed. The Board has reviewed the Group's combined assurance model and has decided that, at present, assurance of sustainability reporting by the Audit and Risk Committee is appropriate and sufficient.

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