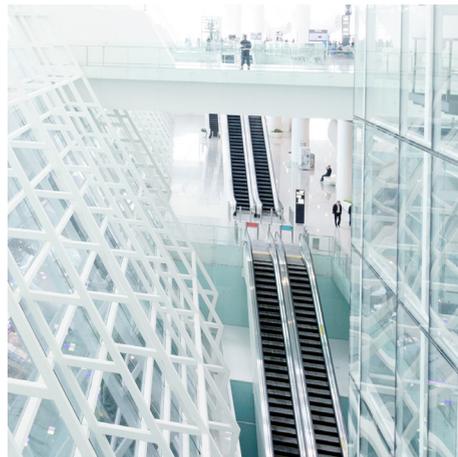


# EFFICIENT + GROUP



## INTEGRATED REPORT 2016 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 an 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, ethical and social committee, ensures that the Group protects, enhances and invests in the well-being of the economy, society and natural environment.
Principle 1.3	The Board ensures that the company ethics are managed effectively.	Applied	The Board has approved a code of conduct and ethics policy which governs the business of the Group.
<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 the 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.
Principle 2.3	The Board provides for effective leadership based on an ethical foundation.	Applied	Responsible leadership characterised by the values of integrity, respect, accountability, fairness and professionalism has been a defining characteristic of the Group.
Principle 2.4	The Board ensures that the company is, and is seen as a responsible corporate citizen.	Applied	The Board is responsible for ensuring that the Group protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the confines of social, political and environmental responsibilities outlined in applicable codes and standards including the legislative framework.

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	Through the code of conduct and ethics policy the Board is responsible for ensuring that the company protects, enhances and contributes to the well-being of the economy, society and natural environment.
Principle 2.6	The Board ensures that the company has an effective and independent audit committee.	Applied	In line with the Companies Act the Board annually appoints an effective audit committee that is approved by shareholders at the next annual general meeting. Members of the audit committee are independent.
Principle 2.7	The Board is responsible for the governance of risk.	Applied	In terms of the Board charter, the Board is responsible for the governance of risk and the audit and risk committee assists the Board with this responsibility. The Board has approved a risk management policy and plan for the Group.
Principle 2.8	The Board's is responsible for information technology (IT) governance.	Applied	The Board is ultimately responsible for information technology (IT) governance and has delegated oversight of IT governance to the audit and risk committee, which feeds from the IT committee, a management committee responsible for developing and implementing the IT governance framework.
Principle 2.9	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board is responsible for ensuring that the Group complies with applicable laws and considers adhering to non-binding rules, codes and standards. This responsibility has been delegated to the audit and risk, and the social and ethics committees, whereat quarterly reports on regulatory compliance are tabled.
Principle 2.10	The Board ensures that there is an effective risk-based internal audit.	Applied	The company has an internal audit function which is provided by Ashton Group. The Internal Audit Charter requires the performance of risk based internal audit.
Principle 2.11	The Board should appreciate that stakeholder's perceptions affect a company's reputation.	Applied	The Board appreciates the importance of stakeholders and has approved a stakeholder engagement policy.
Principle 2.12	The Board ensures the integrity of the company's integrated report.	Applied	On recommendation of the audit and risk committee, the Board considered and approved the company's integrated report.
Principle 2.13	The Board reports on the effectiveness of the company's internal controls.	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	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 2 (continued): Boards and Directors</b>			
Principle 2.14	The Board and its directors act in the best interests of the company	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 conflict of interest at Board meetings. The Board as a whole act as a steward of the company and each Director acts with independence of mind in the best interests of the company and its stakeholder.
Principle 2.15	The Board will/has consider/ed business rescue proceedings or other turnaround mechanisms as soon as the company has been/may be 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 Chief Executive Officer (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 Officer are thus separate and clearly defined.
Principle 2.17	The Board has appointed the CEO 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 CEO 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 ten directors are non- executive directors. Four of the six are independent non- executive directors and the other two are not independent non-executive Directors, thus creating a balance of independent and non-independent executive directors.
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 nominations 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 ongoing 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	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 2 (continued): Boards and Directors</b>			
Principle 2.21	The Board is assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	The Board is assisted by a competent, suitably qualified and experienced Group Company Secretary. The Board through, the Nominations Committee, assesses the competency on an annual basis.
Principle 2.22	The evaluation of the Board, its committees and individual directors is performed every year.	Applied	The performances of the Board as a whole and the Board committees individually are evaluated annually and biennially respectively through an internal self-evaluation questionnaire.
Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating from its own responsibilities.	Applied	The Board has delegated certain functions to the Business Development, Audit and Risk, Nominations and Remuneration, Ethics and Social Committees. The terms of reference for each committee are reviewed and approved by the Board on an annual basis. The Chairman of each committee reports to the board each quarter and committee minutes are circulated to all directors.
Principle 2.24	A governance framework has been agreed upon between the Group and its subsidiary Boards.	Applied	The governance framework between the company and each of its subsidiaries that is not wholly-owned is set out in shareholders' agreements and in accordance with the company's approved corporate governance framework. The governance of wholly-owned subsidiaries is handled by Board and Board committee resolutions.
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 ethical and social 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	Directors and certain senior executive's remuneration are disclosed in the Annual Financial Statements and remuneration report included in the Integrated Report.
Principle 2.27	The shareholders have approved the company's remuneration policy.	Applied	The Group's remuneration policy is approved by shareholders at the Annual General Meeting through a non-binding vote.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<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. All members of the committee are regarded as independent non-executive directors. The audit committee is appointed by the shareholders at each AGM.
Principle 3.2	Audit committee members are suitably skilled and experienced independent non-executive directors.	Applied	The members have the required financial knowledge and experience required for an audit committee.
Principle 3.3	The audit committee is chaired by an independent non-executive director.	Applied	The Audit and Risk Committee is chaired by an independent non- executive director
Principle 3.4	The audit committee oversees integrated reporting	Applied	The audit committee considers the integrated report including sustainability information, the annual financial statements and recommends the approval of the integrated report to the Board.
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	A combined assurance model has been adopted by the Board under the oversight of the Audit and Risk Committee. It is tabled at the Audit and Risk Committee on an annual basis which reviews the level of assurance obtained over the risks.
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
Principle 3.7	The audit committee should be responsible for overseeing internal audit.	Applied	The Group Internal Audit function reports to the Audit and Risk Committee. The internal auditor attends all Audit and Risk Committee meetings.
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 ratings of the external auditors, including the professional suitability of the lead auditor, and recommends the appointment to the Board and shareholders for the forthcoming 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 report of the audit and risk committee in the integrated report.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 4: The Governance of Risk</b>			
Principle 4.1	The Board is responsible for the governance of risk.	Applied	In terms of the Board Charter, the Board is responsible for the governance of risk and the Audit and Risk committee assists the Board with this responsibility.
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 /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 for sustainability.
Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis.	Applied	Risk assessments are performed regularly at the 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 implements the compliance and regulatory framework and internal controls framework as the basis upon which the risk assessments are conducted, to increase the probability of unpredictable risks being identified and considered.
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 on an on-going basis.
Principle 4.8	The Board has ensured the continual risk monitoring by management.	Applied	Continual risk monitoring is required in terms of the risk management plan and the process is monitored by management.
Principle 4.9	The Board has received assurance regarding the effectiveness of the risk management process.	Applied	The Board receives assurance from the Audit and Risk Committee, which reviews the results of the effectiveness assessment of the risk management process performed by Group internal audit.
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 and confirms its satisfaction with the management of the risk management processes.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<b>Chapter 5 - The Governance of Information Technology</b>			
Principle 5.1	The Board is responsible of 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 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 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 ensured 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 terms of reference provide 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 receives regular reports on compliance via the Audit and Risk Committee.
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 on applicable laws, rules and codes are included on the agendas of Board and Board committee meetings
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	The code of conduct, approved by the Board, sets out the requirement of legal and regulatory compliance and provides for the company to develop and implement a policy. The company has a legal and regulatory compliance policy.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<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 performed by Ashton Group. The internal audit charter 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 and attends all meetings to answer questions regarding formal reports submitted to the audit and risk committee on a quarterly basis.
Principle 7.4	The audit committee should be responsible for overseeing internal audit.	Applied	The Audit and Risk Committee approves the annual internal audit work plan and monitors the performance of internal audit.
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Group internal audit function is outsourced to Ashton Group. The internal auditor has unrestricted access to members of the audit committee and executives of the company.
<b>Chapter 8: Governing Stakeholder Relationships</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, timeously and reduces the likelihood of reputational risks.
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 stakeholder communication policy ensures that timely, relevant, accurate and honest information is provided to all stakeholders.
Principle 8.6	The Board should ensure that disputes are resolved effectively and expeditiously as possible.	Applied	Disputes are handled in accordance with the relevant enabling framework, the primary objective being to ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.

Principle	Principle Description	Applied / Partially Applied / Not Applied	Commentary
<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 together with the sustainability report of the company. 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	Sustainability reporting is not independently assured in accordance with a formal process. The Board reviewed the combined assurance model of the Group and deemed that at present, assurance of sustainability reporting by the audit and risk committee is appropriate and sufficient.

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