

EFFICIENT + GROUP



INTEGRATED REPORT 2017 APPLICATION OF KING IV

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King IV Application Register

The purpose of this register is to provide an overview of the application by EFG of the principles contained in the King Report on Corporate Governance 2016 (King IV). The register should be read in conjunction with the documents cross-referenced below, all of which are available on the Company's website at: www.efg.co.za

Principle	Principle Description	Application/Explanation
Principle 1	The Board should lead ethically and effectively	The EFG Board of Directors is the governing body and is committed to the corporate governance principles as set out in King IV. The directors hold one another accountable for decision making based on integrity, competence, responsibility fairness and transparency through their commitment to lead the Group consistent with the Groups values. The Chairman monitors this process on an ongoing basis
Principle 2	The Board should govern the ethics of the organization in a way that supports the establishment of an ethical culture	<p>The Board is assisted by the Remuneration, Ethics and Social Committee to oversee the governance of ethics in the Group as fully detailed in the Code of Conduct and Ethics Policy that was approved by the Board.</p> <p>The Code of Conduct and Ethics Policy guides the interaction between employees, clients, stakeholders, suppliers and the communities within which it operates.</p> <p>The company's whistleblowing facility is available to all employees, clients, suppliers and any other external parties to report any unethical practice anonymously and free from victimization. The Chairman of the Audit and Risk Committee has oversight of the whistle blowing facility and investigates any incidents of unethical behavior.</p>
Principle 3	The governing body should ensure that the organization is and is seen to be a responsible corporate citizen	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 4	The governing body should appreciate that the organizations core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	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 5	The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organizations performance and its short, medium, and long-term prospects	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. The 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 Iv and Global Reporting Initiative (GRI G3). 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.

Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organization	The EFG Board is the focal point and custodian of Corporate Governance within the Group. In this regard, the Board' has adopted a Charter, which is reviewed annually, that ensures its roles, responsibilities and accountability is documented and strictly adhered to. An appropriate investment and governance framework is in place to ensure the Company and its subsidiaries adhere to good corporate governance standards
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The EFG Board is ably assisted by the EFG Nominations Committee who considers, annually and before any new director appointments, the composition, balance of skills, experience, independence, diversity and knowledge of the EFG Board and whether this enables it to effectively discharge its roles and responsibilities.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties	<p>The EFG Board determines the terms of reference to individual members, standing or ad hoc committees.</p> <p>The composition of the Board and its committees are in line with King IV. There is a clear balance of power to ensure that no individual has undue decision-making powers.</p> <p>Each committee has a formal charter, which is reviewed approved annually by the Board. Each committee has a minimum of three members and sufficient capability and capacity to function effectively.</p> <p>Audit and Risk Committee The Audit and Risk Committee provides independent oversight of the assurance functions and on the integrity of the Annual Financial Statements and other external reports.</p> <p>The Audit and Risk committee provides independent review and oversight of the risks of all business units.</p> <p>The Audit and Risk Committee provides independent review and oversight of the Information Technology function and the risks thereof.</p> <p>The Audit and Risk Committee is satisfied that it has the necessary financial literacy, skills and experience and that all members are independent non-executive members.</p> <p>Internal Audit is fully outsourced to Deloitte and the Chief Financial Officer is responsible for overseeing and coordinating the effective functioning of the outsourcing arrangement.</p> <p>The Audit and Risk Committee assesses the performance of the Chief Financial Officer and the finance function annually. The Audit and Risk Committee is satisfied that the external auditor KPMG is independent.</p> <p>Remuneration, Ethics and Social Committee (RESCO) RESCO has oversight of remuneration governance and implementation RESCO has been established to fulfil the statutory social and ethics duties in accordance with the Companies Act 2008.</p> <p>Nominations Committee Refer to principle 7</p>

Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	An assessment of the performance of the Chairman, Board, Board Committees and Director Self-evaluation was conducted in 2017. Having regard to the results of the performance evaluations, no issues were raised and the contribution, value and participation of the Board and Board subcommittees was considered satisfactory and positive. Going forward the Board will conduct a formal evaluation process of the Board, the Chairman, its committees and individual directors at least every two years. The Chairman, assisted by the company secretary will conduct the evaluation process of the Board, its committee and the individual directors in the intervening years.
Principle 10	The governing body should ensure that the appointment of and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	<p>The Board has appointed Heiko Weidhase as the CEO, who is responsible for leading strategy implementation. The CEO does not have any work commitments outside of EFG and its related companies. Further, a succession plan for the CEO is in place and is reviewed on an annual basis.</p> <p>The Company secretary is appointed on a fulltime basis with the requisite knowledge, experience and stature. The performance of the company secretary is also evaluated annually to ensure that there is an arm's length relationship between the Board and the company secretary in that the objectivity and independence of the company secretary is not unduly influenced. The Board is satisfied that the company secretary and the function that he oversees are performing well.</p> <p>A detailed delegation of authority framework, which is regularly reviewed, indicates matters reserved for Board approval and prescribes authority thresholds for different management and staff levels to ensure effective exercise of authority through proper governance processes. The Board is satisfied that EFG is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p>
Principle 11	The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives	<p>The Board with the assistance of the Audit and Risk Committee has the oversight of risk management and in particular oversee that it results in EFG achieving its strategic objectives.</p> <p>The Board, at the recommendation of the Audit and Risk Committee approves EFG's risk appetite and the limit of the potential loss EFG has the capacity to tolerate.</p>
Principle 12	The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives	The Board, with the assistance of the Audit and Risk Committee oversees the governance of information technology. The Board has delegated to management the responsibility to implement and execute effective technology and information management
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen	<p>The Board with the assistance of the Audit and Risk Committees ensures that the Group complies with applicable laws, adopted non-binding rules, codes and standards.</p> <p>The Board has delegated to management the responsibility for implementation and execution of effective compliance management. There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or noncompliance with, statutory obligations imposed on the company, individual Board members or officers. There were no findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for non-compliance.</p>

Principle 14	The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	The Board, ably assisted by the Remuneration, Ethics Social and Ethics Committee, ensures that executives, senior management and general staff are remunerated fairly and responsibly with a view to promoting the creation of value in a sustainable manner. The EFG remuneration Policy is reviewed by the Remuneration, Ethics and Social Committee annually and approved by the Board. The Remuneration Ethics and Social Committee oversees the implementation of the policy to ensure achievement of the policy objectives.
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organization's external reports	The Board is satisfied that the current assurance process results in an adequate and effective control environment
Principle 16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder- inclusive approach that balances the needs interests and expectations of material stakeholders in the best interests of the organization over time	<p>The Board, in consultation with management, has identified all the key stakeholders and is active in balancing their legitimate and reasonable needs, interests and expectations. 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.</p> <p>The stakeholder communication policy ensures that timely, relevant, accurate and honest information is provided to all stakeholders.</p>
Principle 17	The governing body of an institutional investor organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests	Not applicable, the Group is not an institutional investor.

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