

KING III COMPLIANCE REGISTER
2017



Montauk
Holdings Limited

KING III COMPLIANCE REGISTER

Montauk believes that, in all material respects, it complies with the major recommendations of the Code to ensure that sound corporate governance and structures are applied within the Group. Alternatives to the King III recommendations can be applied to further the best interests of the Company, as long as the overarching principles of good corporate governance are achieved. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the Group are conducted with transparency and integrity.

The JSE Listings Requirements require explanations where the principles of King III have been “applied differently”. Below are all principles complied with and those principles which require further explanation:

C = Compliant

P = Partially compliant

U = Under review

X = Not compliant

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
1. Ethical leadership and corporate citizenship		
1.1 The board should provide effective leadership based on an ethical foundation.	C	Applied. The board is committed to promoting the highest standard of ethical behaviour. A formal board charter, as recommended by the Code of Corporate Practices and Conduct, has been adopted. The charter includes a code of ethics to which all directors subscribe.
1.2 The board should ensure that the Company is, and is seen to be, a responsible corporate citizen.	C	Applied. The board is the guardian of the values and ethics of the Company and its investees and should ensure that the Company is and is seen to be a responsible corporate citizen.
1.3 The board should ensure that the Company’s ethics are managed effectively.	C	Applied. Ethical principles are applied by the board during decision-making.
2. Board and directors		
2.1 The board should act as the focal point for and custodian of corporate governance.	C	Applied. The board serves as the custodian of good governance and always ensures that its endeavours are directed at achieving sustainable value for the Company in a transparent and responsible manner.
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable.	C	Applied. Strategy, risk, performance and sustainability are considered collectively by the board in the decision-making process and the monitoring of the Group’s performance. In terms of its formal charter, the board’s responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance.
2.3 The board should provide effective leadership based on an ethical foundation.	C	Applied. Ethics form part of the values of the Company and the board.
2.4 The board should ensure that the Company is and is seen to be a responsible corporate citizen.	C	Applied. The board ensures that the Company is a responsible corporate citizen.
2.5 The board should ensure that the Company’s ethics are managed effectively.	C	Applied. Ethics are the responsibility of the board as a whole.
2.6 The board should ensure that the Company has an effective and independent audit committee.	C	Applied. The audit and risk committee consists of three independent non-executive directors. The audit and risk committee members all have the necessary experience and skills to serve on an audit committee.
2.7 The board should be responsible for the governance of risk.	C	Applied. The board’s responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance.

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2.8 The board should be responsible for information technology ("IT") governance.	C	Applied. The board as a whole is responsible for information technology ("IT") governance and is assisted by the chief financial officer in the implementation of an IT policy.
2.9 The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	C	The board has a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its businesses, which enables the board to ensure that the Company complies with all applicable laws, codes and standards.
2.10 The board should ensure that there is an effective risk-based internal audit.	X	Due to the size of the Group's operations and centralised finance and administration functions Montauk has no internal audit function, although the board and audit and risk committee continuously assess the need to establish such a function.
2.11 The board should appreciate that stakeholders' perceptions affect the Company's reputation.	C	Applied. The board monitors stakeholders' perceptions, in light of the importance of the Company's reputation.
2.12 The board should ensure the integrity of the Company's integrated report.	C	Applied. The Company has issued an integrated annual report, which has been reviewed and approved by the board.
2.13 The board should report on the effectiveness of the Company's system of internal controls.	C	Applied. The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk.
2.14 The board and its directors should act in the best interests of the Company.	C	Applied. The board acts in the best interests of the Company.
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 Act.	C	Applied. This will be considered, if applicable.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board.	X	The Company has appointed a separate chairman and this role is not fulfilled by the CEO. The chairman of the board is not an independent non-executive director because of the interests that he and certain members of his family have in the shares of the Company. A lead independent director has been appointed.
2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority.	C	Applied. The board has appointed a CEO and a framework for the delegation of authority has been established.
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	C	Applied. The board comprises eight (8) members of whom six (6) are non-executive directors. The composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. The board evaluates its composition each year to ensure an appropriate mix of skills and experience.

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2.19 Directors should be appointed through a formal process.	C	Applied. New directors are subject to a “fit and proper” test. An informal orientation programme is available to incoming directors. No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. The Company in general meeting may appoint any person to be a director subject to the provisions of the MOI.
2.20 The induction of and ongoing training and development of directors should be conducted through formal processes.	C	Applied. New directors are subject to a “fit and proper” test. An informal orientation programme is available to incoming directors.
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary.	C	Applied. The board has considered and satisfied itself of the competence, qualifications and experience of the company secretary. The specific steps the directors took included evaluating the experience of the company secretary, including the relevant experience exhibited by the executives and employees of the company secretary.
2.22 The evaluation of the board, its committees and the individual directors should be performed every year.	C	Applied. The board, its committees and individual directors are evaluated annually.
2.23 The board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	C	Applied. Committees make recommendations which are approved at board level.
2.24 A governance framework should be agreed between the Group and its subsidiary boards.	C	Applied. A governance framework for the Company and its subsidiaries is in place.
2.25 Companies should remunerate directors and executives fairly and responsibly.	C	Applied. The remuneration committee takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives.	C	Applied. The directors’ fees and remuneration is disclosed in the integrated annual report.
2.27 Shareholders should approve the Company’s remuneration policy.	P	Remuneration paid to non-executive directors of the Company is subject to approval by shareholders at the annual general meeting of the Company. The remuneration of executive management is determined in accordance with Group remuneration policies as determined by the remuneration committee. The remuneration policies are endorsed by shareholders by way of a non-binding resolution.
3. Audit committee		
3.1 The board should ensure that the Company has an effective and independent audit committee.	C	Applied. The audit and risk committee consists of three independent directors.
3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors (subsidiary exemption).	C	Applied. The audit and risk committee members have extensive business experience and specialist skills across a range of sectors. This enables them to provide balanced and independent advice and judgement in the decision-making process. All members are independent non-executives.
3.3 The audit committee should be chaired by an independent non-executive director.	C	Applied. The audit and risk committee is chaired by an independent non-executive director.

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3.4 The audit committee should oversee the integrated reporting (integrated reporting, financial, sustainability and summarised information).	C	Applied. The audit committee oversees same as set out in the objectives of the audit and risk committee.
3.5 The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report.	C	Applied. The audit and risk committee is responsible for evaluating the significant judgements and reporting decisions affecting the integrated annual report.
3.6 The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents.	C	Applied. The audit and risk committee reviews annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents released by the Company.
3.7 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	C	Applied. The audit and risk committee of the Company has been mandated to ensure that a combined assurance model is applied.
3.8 The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	C	Applied. The audit and risk committee has satisfied itself in this regard.
3.9 The audit committee should be responsible for overseeing of internal audit.	C	Applied. The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. To the extent that an internal audit function is established, the audit committee is mandated with its oversight.
3.10 The audit committee should be an integral component of the risk management process.	C	Applied. Forms part of the role and responsibility of the audit and risk committee.
3.11 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	C	Applied. Forms part of the role of the audit and risk committee.
3.12 The audit committee should report to the board and shareholders on how it has discharged its duties.	C	Applied. The audit and risk committee reports annually on the discharge of their duties to the board.
4. The governance of risk		
4.1 The board should be responsible for the governance of risk.	C	Applied. The board acknowledges that it is accountable for the process of risk management.
4.2 The board should determine the levels of risk tolerance.	C	Applied. Risk levels are discussed at board level.
4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	C	Applied. The audit and risk committee assists the board in carrying out its risk responsibility.
4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	C	Applied. Company management ensures adherence to the various Acts and Codes that govern the day-to-day operations.
4.5 The board should ensure that risk assessments are performed on a continual basis.	C	Applied. The board performs risk assessment on a continual basis.
4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	C	Applied. All risk factors within the current business model are continually monitored.
4.7 The board should ensure that management considers and implements appropriate risk responses.	C	Applied. Responses are monitored and preventative measures implemented to the extent possible.

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4.8 The board should ensure continual risk monitoring by management.	C	Applied. Risk monitoring forms part of planning and decision-making by management.
4.9 The board should receive assurance regarding the effectiveness of the risk management process.	C	Applied. This occurs at board level.
4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	C	Applied. Through the financial, governance and sustainability information published in the integrated annual report, the board endeavours to accurately, completely and timely disclose the risks relevant to the Group and its stakeholders.
5. The governance of information technology		
5.1 The board should be responsible for information technology ("IT") governance.	C	Applied. The board is responsible for IT governance.
5.2 IT should be aligned with the performance and sustainability objectives of the Company.	C	Applied. Objectives are aligned.
5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework.	C	Applied. The board is assisted by the chief financial officer in the implementation of an IT policy. A governance framework will be considered for approval by the board in future.
5.4 The board should monitor and evaluate significant IT investments and expenditure.	C	Applied. The board receives the budget and progress reports for any material IT-related investments.
5.5 IT should form an integral part of the Company's risk management.	C	Applied. IT is considered as part of risk management.
5.6 The board should ensure that information assets are managed effectively.	C	Applied. The board has appointed an audit and risk committee which will assist it to carry out its responsibilities.
5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	C	Applied. The board has appointed the audit and risk committee which will assist it to carry out its IT responsibilities.
6. Compliance with laws, codes, rules and standards		
6.1 The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	C	Applied. The board considers applicable laws, codes, rules and standards and changes thereto. Compliance with laws is embedded within the internal controls and processes of the operations of the business. Any material non-compliance is reported to the board as and when the executive directors become aware of such.
6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	C	Applied. The board and each individual director have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.
6.3 Compliance risk should form an integral part of the Company's risk management process.	C	Applied. Compliance forms part of the process.
6.4 The board should delegate to management the implementation of an effective compliance framework and processes.	C	Applied. Where necessary, compliance officers have been appointed at the Group's subsidiaries to ensure adherence to the various Acts and codes that govern the day-to-day operation.

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
7. Internal audit		
7.1 The board should ensure that there is an effective risk-based internal audit.	X	Due to the size of the Group's operations and centralised finance and administration functions Montauk has no internal audit function, although the board and audit and risk committee continuously assess the need to establish such a function.
7.2 Internal audit should follow a risk-based approach to its plan.	X	Montauk has no internal audit function, although the board and audit committee continuously assess the need to establish such a function.
7.3 Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management.	X	Montauk has no internal audit function, although the board and audit committee continuously assess the need to establish such a function.
7.4 The audit committee should be responsible for overseeing internal audit.	X	Montauk has no internal audit function, although the board and audit committee continuously assess the need to establish such a function.
7.5 Internal audit should be strategically positioned to achieve its objectives.	X	Montauk has no internal audit function, although the board and audit committee continuously assess the need to establish such a function.
8. Governing stakeholder relationships		
8.1 The board should appreciate that stakeholders' perceptions affect a Company's reputation.	C	Applied. The board monitors stakeholders' perceptions in light of the importance of the Company's reputation.
8.2 The board should delegate to management to proactively deal with stakeholder relationships.	C	Applied. Stakeholder relationships are critical for the Company and the executive team manages these proactively.
8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	C	Applied. All stakeholders are considered during decision-making.
8.4 The Company should ensure the equitable treatment of shareholders.	C	Applied. Equitable treatment of shareholders is important and considered during decision-making and dissemination of information to shareholders.
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	C	Applied. Communication with stakeholders is the responsibility of the board.
8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	C	Applied. The board remains informed of any disputes and strive to ensure that they are resolved efficiently.
9. Integrated reporting and disclosure		
9.1 The board should ensure the integrity of the Company's integrated report.	C	Applied. The board ensures due care in the compilation of the report.
9.2 Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	C	Applied. Information relating to sustainability matters is included in the integrated annual report.
9.3 Sustainability reporting and disclosure should be independently assured.	U	Although some of the information provided in relation to sustainability matters has not been independently assured, the board has taken care to use reliable sources for this information. The Company will evaluate the need for independent assurance on sustainability reporting in the future.

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