

King III corporate governance compliance

for the year ended 30 June 2017

Baub Platinum has conducted a self-assessment of compliance to the recommendations of King III, according to the “apply or explain” principle. The compliance matrix is available on the Company’s website (www.bauba.co.za).

During the first half of the year the Group was under severe cash flow constraints due to its only operating mine being placed under care and maintenance. As a result, all services, the associated costs, and the potential governance impact were critically evaluated. Given the low level of operational and financial transaction activity in first half of the year and the size and structure of the Group, the internal audit services remained suspended and the scope of the external audit was extended to ensure the associated risks were mitigated.

King III corporate governance matrix

Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2017)
1. Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation	✓	Page 24
1.2	The board should ensure that the Company is and is seen to be a responsible corporate citizen	✓	Page 24
1.3	The board should ensure that the Company’s ethics are managed effectively	✓	Pages 24 to 30
2. Boards and directors			
2.1	The board should act as the focal point for the custodian of corporate governance	✓	Page 24
2.2	The board should appreciate that strategy, performance and sustainability are inseparable	✓	Page 24
2.3	The board should provide effective leadership based on an ethical foundation	✓	Page 24
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen	✓	Pages 24, 30 and 31
2.5	The board should ensure that the Company’s ethics are managed effectively	✓	Pages 24 to 30
2.6	The board should ensure that the Company has an effective and independent audit committee	✓	Refer to section 3
2.7	The board should be responsible for the governance of risk	✓	Refer to section 4
2.8	The board should be responsible for information technology (IT)	✓	Refer to section 5
2.9	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	Refer to section 6
2.10	The board should ensure that there is an effective risk-based internal audit	✓	Refer to section 7
2.11	The board should appreciate that stakeholders’ perceptions affect the Company’s reputation	✓	Refer to section 8

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Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2017)
2. Boards and directors continued			
2.12	The board should ensure the integrity of the Company's integrated report	✓	Refer to section 9
2.13	The board should report on the effectiveness of the Company's system of internal controls	✓	Page 37
2.14	The board and its directors should act in the best interest of the Company	✓	Page 24
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined by the Act	✓	The board monitors whether or not the Company is financially distressed and is aware of its duties with regard to business rescue procedures. It carries out a solvency and liquidity test on a regular basis
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO should not fulfil this role	✓	Page 24
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	Page 24
2.18	The board should reflect a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓	Page 24
2.19	Directors should be appointed through a formal and transparent process	✓	The appointment process and signed employment contracts for the non-executive directors are in place Pages 24 to 27
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	✓	Page 28
2.21	The board should be assisted by a competent, suitably qualified company secretary	✓	Pages 28 and 36
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓	Page 24
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓	Page 24
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the Group and its subsidiary boards	✓	The holding company performs the governance requirements on behalf of its subsidiaries as agreed
2.25	Companies should remunerate directors and executives fairly and responsibly	✓	Pages 25 to 27 and 69
2.26	Companies should disclose the remuneration of each individual director	✓	Page 69
2.27	Shareholders should approve the company's remuneration policy	✓	Pages 25 to 27 and 74

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Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2017)
3. Risk and audit committee			
3.1	The board should ensure that the company has an effective and independent audit committee comprising at least three members	✓	Pages 25 and 37
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓	Pages 25 and 37
3.3	The audit committee should be chaired by an independent non-executive director	✓	Pages 25 and 37
3.4	The audit committee should oversee integrated reporting	✓	Pages 25 and 37
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓	Pages 25 and 37
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓	Pages 25, 37 and 38
3.7	The audit committee should be responsible for overseeing internal audit	✓	Pages 25 and 37
3.8	The audit committee should be an integral component of the risk management process	✓	Pages 25, 37 and 38
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	Pages 25, 29, 37 and 38
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓	Pages 25, 37 and 38
4. The governance of risk			
4.1	The board should be responsible for the governance of risk	✓	Page 24
4.2	The board should determine the levels of risk tolerance	✓	A legal compliance framework and risk assessment framework is in place to assist in the assessment of the risk tolerance levels Page 24
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓	Pages 25 and 37
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	Page 24
4.5	The board should ensure that risk assessments are performed on a continual basis	✓	Pages 25 and 37
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredicted risks	✓	Pages 25 and 37
4.7	The board should ensure that management considers and implements appropriate risk responses	✓	Page 24

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Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2017)
4. The governance of risk continued			
4.8	The board should ensure continuous risk monitoring by management	✓	Page 24
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓	Pages 25 and 37
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders	✓	Pages 25 and 37
5. The governance of information technology			
5.1	The board should be responsible for information technology (IT) governance	✓	Pages 25 and 37
5.2	IT should be aligned with the performance and sustainability objectives of the Company	✓	Pages 25 and 37
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	✓	Pages 25 and 37
5.4	The board should monitor and evaluate significant IT investments and expenditure	✓	Pages 25 and 37
5.5	IT should form an integral part of the Company's risk management	✓	Pages 25 and 37
5.6	The board should ensure that information assets are managed effectively	✓	Pages 25 and 37
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓	Pages 25 and 37
6. Compliance with laws, rules, codes 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	✓	Pages 24, 37 and 38
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	✓	The board has identified the laws, rules, codes and standards applicable to the Company. The board, with the assistance of the audit and risk committee and the company secretary, considers the adherence to the said laws on a continuous basis
6.3	Compliance should form an integral part of the company's risk management process	✓	Page 24
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓	Page 24

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Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2017)
7. Internal audit			
7.1	The board should ensure that there is an effective risk-based internal audit	✓	Due to the size of the Group and structure, it is not feasible to employ a full-time internal auditor at this stage. The board believes that the situation can be supported due to the hands-on involvement of the directors in all subsidiaries.
7.2	Internal audit should follow a risk-based approach to its plan	✓	
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	✓	
7.4	The audit committee should be responsible for overseeing internal audit	✓	
7.5	Internal audit should be strategically positioned to achieve its objectives	✓	
8. Governing stakeholder relationships (Refer website: www.bauba.co.za "Stakeholder engagement framework")			
8.1	The board should appreciate that stakeholders' perceptions affect the Company's reputation	✓	Page 30
8.2	The board should delegate to management to proactively deal with stakeholder relationships	✓	Page 30
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	✓	Page 30
8.4	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	Page 30
8.5	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓	Page 24
9. Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the Company's integrated report	✓	Pages 24 to 25
9.2	Sustainable reporting and disclosure should be integrated with the Company's financial reporting	✓	Page 31
9.3	Sustainability reporting and disclosure should be independently assured	✓	Due to the size and nature of the business, the sustainability reporting has not been independently assured