

# KING III CORPORATE GOVERNANCE COMPLIANCE

for the year ended 30 June 2014

Bauba 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](http://www.bauba.co.za)).

During the period under review, the Group was under severe cash flow constraints and as a result critically evaluated all services, the associated costs, and the potential governance impact. Given the low level of operational and financial transaction activity anticipated in the year, the internal audit services were 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 2014)
<b>1. Ethical leadership and corporate citizenship</b>			
1.1	The board should provide effective leadership based on an ethical foundation	✓	Page 12
1.2	The board should ensure that the Company is and is seen to be a responsible corporate citizen	✓	Page 12
1.3	The board should ensure that the Company's ethics are managed effectively	✓	Pages 12 and 18
<b>2. Boards and directors</b>			
2.1	The board should act as the focal point for the custodian of corporate governance	✓	Page 12
2.2	The board should appreciate that strategy, performance and sustainability are inseparable	✓	Page 12
2.3	The board should provide effective leadership based on an ethical foundation	✓	Page 12
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen	✓	Pages 12, 18 and 19
2.5	The board should ensure that the Company's ethics are managed effectively	✓	Pages 15 and 18
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

# KING III CORPORATE GOVERNANCE COMPLIANCE CONTINUED

for the year ended 30 June 2014

Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2014)
<b>2. Boards and directors</b> 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 25
2.14	The board and its directors should act in the best interest of the Company	✓	Page 12
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 12
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	Page 12
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 12
2.19	Directors should be appointed through a formal and transparent process	✓	The appointment process and signed employment contracts for the non-executive director is in place Pages 12, 13 and 14
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes	✓	The process is being formalised Page 16
2.21	The board should be assisted by a competent, suitably qualified company secretary	✓	Pages 16 and 24
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓	Page 12
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓	Page 12
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 13 and 53
2.26	Companies should disclose the remuneration of each individual director	✓	Page 53
2.27	Shareholders should approve the company's remuneration policy	✓	Pages 13 and 56

# KING III CORPORATE GOVERNANCE COMPLIANCE CONTINUED

for the year ended 30 June 2014

Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2014)
<b>3. Risk and audit committee</b>			
3.1	The board should ensure that the company has an effective and independent audit committee comprising at least three members	✓	Page 12
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓	Page 12
3.3	The audit committee should be chaired by an independent non-executive director	✓	Page 12
3.4	The audit committee should oversee integrated reporting	✓	Page 12
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓	Page 12
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓	Pages 12 and 24
3.7	The audit committee should be responsible for overseeing internal audit	✓	Pages 12 and 24
3.8	The audit committee should be an integral component of the risk management process	✓	Page 12
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	Page 12
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓	Page 12
<b>4. The governance of risk</b>			
4.1	The board should be responsible for the governance of risk	✓	Page 12
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 12
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓	Page 12
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	Page 12
4.5	The board should ensure that risk assessments are performed on a continual basis	✓	Page 12
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredicted risks	✓	Page 12
4.7	The board should ensure that management considers and implements appropriate risk responses	✓	Page 12

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for the year ended 30 June 2014

Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2014)
<b>4. The governance of risk</b> continued			
4.8	The board should ensure continuous risk monitoring by management	✓	Page 12
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓	Page 12
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders	✓	Page 17
<b>5. The governance of information technology</b>			
5.1	The board should be responsible for information technology (IT) governance	✓	Page 13
5.2	IT should be aligned with the performance and sustainability objectives of the company	✓	Page 13
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	✓	Page 13
5.4	The board should monitor and evaluate significant IT investments and expenditure	✓	Page 13
5.5	IT should form an integral part of the company's risk management	✓	Page 13
5.6	The board should ensure that information assets are managed effectively	✓	Page 13
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓	Page 13
<b>6. Compliance with laws, rules, codes and standards</b>			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	Page 12
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 12
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓	Page 12

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for the year ended 30 June 2014

Principle		Apply/ explain	Comments/explanation (page number refers to integrated annual report 2014)
<b>7. Internal audit</b>			
7.1	The board should ensure that there is an effective risk-based internal audit	✓	During the period under review, the Group was under severe cash flow constraints and as a result critically evaluated all services, the associated costs, and the potential governance impact. Given the low level of operational and financial transaction activity anticipated in the year, the internal audit services were suspended and the scope of the external audit was extended to ensure the associated risks were mitigated
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	✓	
<b>8. Governing stakeholder relationships (Refer website: <a href="http://www.bauba.co.za">www.bauba.co.za</a> "Stakeholder engagement framework")</b>			
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation	✓	Page 18
8.2	The board should delegate to management to proactively deal with stakeholder relationships	✓	Page 18
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓	Page 18
8.4	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	Page 18
8.5	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓	Page 12
<b>9. Integrated reporting and disclosure</b>			
9.1	The board should ensure the integrity of the company's integrated report	✓	Pages 12 and 13
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting	✓	
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