



King III APPLICATION ASSESSMENT

The following register details each of the 75 principles set out in the King Code of Governance Principles (King III) and provides commentary regarding the extent to which each principle has been applied by Wilson Bayly Holmes-Ovcon Limited (WBHO). Instances where a principle has been partially applied or is still 'under review' are highlighted and the reasons for this status are provided. This register confirms the status of the company in this regard for the financial year ended 30 June 2016. For further general information regarding the governance structures and processes of the company, please see the governance section of the WBHO website.

Summary of progress

The following table presents a summary of our progress and the issues or 'principles' we have addressed during the year. The summary also indicates which principles are still under review or partially applied. Where appropriate, detailed discussion regarding the issue addressed or improvements made is provided in the report of the committee responsible in our integrated report.

Notes:

Principle	Note
2.24	2015 = under review; 2016 = partial application
3.5	2015 = partial application; 2016 = fully applied
2.26	2015 = partial application; 2016 = fully applied
5.5	2015 = partial application; 2016 = fully applied

Applied – Y

Partially Applied – P

Under review – U

Applied

Comments

1. Ethical leadership and corporate citizenship

1.1 The Board should provide effective leadership based on an ethical foundation.

Y

Ethics, values and sustainability form the foundation of Board conduct as indicated in the Board Charter, as well as forming an integral part of the Code of Conduct which guides the Board in leading the organisation.

1.2. The Board should ensure that the company is and is seen to be a responsible corporate citizen.

Y

The future sustainability of the organisation and its standing as a responsible corporate citizen is extremely important. The activities of the organisation are monitored from a variety of perspectives, including; social and economic development; ethical standards and decision making; environmental, health and public safety accountability; responsiveness to stakeholders; and labour and empowerment objectives. Various social, environmental and governance related policies and frameworks are in place to assist with achieving the performance that the Board requires.

1.3. The Board should ensure that the ethics of the company are managed effectively.

Y

The Code of Conduct promotes and enforces ethical standards and is reviewed annually by the Board. The Social and Ethics Committee further enhance the ethical behaviour of the organisation to ensure that ethics are managed effectively.

2. Boards and Directors		
2.1. The Board should act as the focal point for and custodian of corporate governance.	Y	The WBHO Board of Directors and its sub-committees are responsible for corporate governance throughout the group and, in this regard, the Board subscribes to the recommendations of the King Code of Corporate Governance Principles for South Africa (King III); the dictates of the Companies Act No 71 of 2008; and the JSE Listings Requirements.
2.2. The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Y	The Board approves and assesses the strategy of the organisation and considers sustainability, risk and performance. Risk, sustainability, performance and strategy are dealt with at each Board meeting.
2.3. The Board should provide effective leadership based on an ethical foundation.	Y	See principle 1.1
2.4. The Board should ensure that the company is and is seen to be a responsible corporate citizen.	Y	See principle 1.2
2.5. The Board should ensure that the ethics of the company are managed effectively.		See principle 1.3

	Y	
2.6. The Board should ensure that the company has an effective and independent audit committee.	Y	The Audit Committee had been established in line with the Companies Act. All the members are independent non-executive Directors. The committee meets at least four times per year in accordance with the Audit Committee Charter.
2.7. The Board should be responsible for the governance of risk.	Y	The Board is, ultimately, responsible for risk governance and determines the level of risk tolerance within the organisation. The Board reviews the strategic risk profile of the organisation bi-annually. As part of this process, the Board is assisted by the Strategic Risk committee, which is governed by its own Charter as approved by the Board.
2.8. The Board should be responsible for information technology (IT) governance.	Y	The Board is responsible for information technology (IT) governance, via the audit and risk committee. An IT governance framework has been drafted and implemented.
2.9. The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Y	Compliance with the letter and the spirit of the relevant laws and regulations is to be ensured by the Board. Application of or adherence to non-binding rules, codes and standards are considered and implemented where possible. The Social and Ethics Committee confirms conformance to all appropriate legislation and codes of best practice.

<p>2.10. The Board should ensure that there is an effective risk-based internal audit.</p>	<p>Y</p>	<p>In terms of the risk-based internal audit programme approved annually by the audit committee (as mandated by the Board), our internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management and apply the Institute of Internal Auditors (IIA) recommendations with regard to risk-based internal auditing.</p>
<p>2.11. The Board should appreciate that stakeholders' perceptions affect the reputation of the company.</p>	<p>Y</p>	<p>The reputation that the organisation has gained in the marketplace can be attributed to, in part, on-going effective engagement with all our stakeholders. Board members maintain a proactive dialogue with key stakeholders. Our relationships with our stakeholders are dynamic assets that underpin our ability to create value.</p>
<p>2.12. The Board should ensure the integrity of the integrated report of the company.</p>	<p>Y</p>	<p>The Audit Committee recommends the integrated report for further approval to the Board in accordance with the committee Charter.</p>
<p>2.13. The Board should report on the effectiveness of the system of internal controls within the company.</p>	<p>Y</p>	<p>The Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group.</p>

<p>2.14. The Board and its Directors should act in the best interests of the company.</p>	<p>Y</p>	<p>The Directors collectively, as a Board, act in the best interest of the organisation in accordance with S 76 (3) of the Companies Act 2008.</p>
<p>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.</p>	<p>Y</p>	<p>The Board is cognisant of the provisions of the Companies Act and endeavours to ensure profitability of the organisation. It considers the 'going concern' principles twice a year at the interim and final reporting periods.</p>
<p>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.</p>	<p>P</p>	<p>In line with best practice the roles of the Chairman and Chief Executive Officer are separate; as the Chairman is an executive of the organisation, a lead independent non-executive Director has been appointed.</p>
<p>2.17. The Board should appoint the chief executive officer and establish a framework for the delegation of authority.</p>	<p>Y</p>	<p>The Board is responsible for the appointment of a Chief Executive Officer and also determines the level of authority which is to be delegated to executive or sub committees according to a clearly defined framework.</p>
<p>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.</p>	<p>Y</p>	<p>67% of our Board members are non-executive Directors, of which all are independent; 56% of our Board members are black, 44% of our Board members are female and the Board is satisfied that the balance of power and objectivity on the Board is sufficient.</p>

<p>2.19 Directors should be appointed through a formal process.</p>	<p>Y</p>	<p>The organisation recognises that the Directors need to be appointed through a formal and transparent process and should be assisted by the Nomination Committee, subject to shareholder approval. This process is administered in accordance with the Appointments of Main Board Policy and the Nominations Committee Charter.</p>
<p>2.20. The induction of and on-going training and development of Directors should be conducted through formal processes.</p>	<p>Y</p>	<p>Newly-appointed Directors receive formal and informal training related to the organisation and their duties as Directors form part of their induction to the Board. Directors are provided with on-going support and resources that allow them to extend and refresh their skills and knowledge of the business. A register is maintained to record all on-going support and training. The Board is also provided with information, by the Social and Ethics Committee, on any change in legislation or regulations.</p>
<p>2.21 The Board should be assisted by a competent, suitably qualified and experienced company secretary.</p>	<p>Y</p>	<p>The performance of the Board, its chairman, individual Directors, members of the different Board committees and the company secretary is evaluated annually. During the year under review an external board evaluation was conducted. The Board is satisfied that the company secretary is competent and suitably qualified and experienced. The company secretary is not a Director and maintains an arms-length relationship with the Board.</p>
<p>2.22 The evaluation of the Board, its committees and the individual Directors should be performed every year.</p>	<p>Y</p>	<p>The performance of the Board, its chairman, individual Directors, members of the different Board committees and the company secretary is evaluated annually. During the year under review an external board and an internal audit committee evaluation were conducted.</p>

<p>2.23. The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities .</p>	<p>Y</p>	<p>While it retains overall accountability, the Board delegates the running of the day-to-day affairs of the organisation to the CEO and executive Directors and it also delegates responsibility to its committees and the executive committee. All material decisions are ratified by the Board.</p> <p>All committees are governed by their individual Charters which are reviewed annually.</p>
<p>2.24. A governance framework should be agreed between the group and its subsidiary Boards.</p>	<p>P</p>	<p>A process is in place for the drafting of procedures for all subsidiary companies, including the Australian subsidiaries, to adopt a governance framework in line with that of Wilson Bayly Holmes-Ovcon Ltd.</p>
<p>2.25. Companies should remunerate Directors and executives fairly and responsibly.</p>	<p>Y</p>	<p>The role of the Remuneration committee is to assist the Board, in line with the Remuneration Committee Charter, to ensure that the company remunerates Directors and executives fairly and responsibly and the disclosure of Director remuneration is accurate, complete and transparent.</p>
<p>2.26. Companies should disclose the remuneration of each individual Director and certain senior executives.</p>	<p>Y</p>	<p>The remuneration report is recommended to the Board by the remuneration committee which provides a clear explanation of how the remuneration policy has been implemented and provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of Section 66(9) of the Companies Act to approve the remuneration policy by way of a non-binding advisory vote. The remuneration report is available on the website at www.wbho.co.za.</p>

2.27. Shareholders should approve the remuneration policy of the company.	Y	See Principle 2.26
3. Audit committees		
3.1. The Board should ensure that the company has an effective and independent audit committee.	Y	See Principle 2.6
3.2. Audit committee members should be suitably skilled and experienced independent non-executive Directors.	Y	Audit Committee members are elected by the shareholders, the members of the committee must be independent non-executive Directors of the organisation and collectively have sufficient qualifications and experience to fulfil their duties. Continual training is conducted for the members to ensure that each member is kept up-to-date with the ever changing environment.
3.3. The audit committee should be chaired by an independent non-executive Director.	Y	The Audit Committee Chairperson shall be an independent non-executive Director, as per the Audit Committee Charter. The Committee is currently chaired by the Lead Independent non-executive Director whose independence is evaluated annually.

3.4. The audit committee should oversee integrated reporting.	Y	The committee must have regard to all factors and risks that may impact on the integrity of the Integrated report; all integrated reporting is reviewed by the Committee and referred to the Board for approval.
3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	P	The Committee has approved a Combined Assurance Framework which establishes the foundation and methodology for developing an integrated assurance model and plan. The Framework will be implemented during FY17.
3.6. The audit committee should satisfy itself of the expertise, resources and experience of the finance function of the company.	Y	The committee reviews the expertise, resources and experience of the finance function of the organisation, and annually discloses the results of the review in the integrated report.
3.7. The audit committee should be responsible for overseeing of internal audit.	Y	<p>During the financial year under review, the audit committee considered the effectiveness of the internal audit procedures and approved the one year operational internal audit work plan. The committee also monitored the adherence of the internal audit department to its annual plan and four-year strategic plan.</p> <p>The internal audit management reports concerning the effectiveness of the internal control environment, the systems adopted and processes conducted are reviewed and debated.</p>

		During the year under review, Deloitte was appointed as the independent internal auditors.
3.8. The audit committee should be an integral component of the risk management process.	Y	The Board is, ultimately, responsible for risk governance and determines the level of risk tolerance within the organisation. The Board reviews the strategic risk profile of the organisation bi-annually. As part of this process, the Board relies on the Strategic Risk committee, which is an extension of the Audit committee, and the Internal audit department to review and report on strategic, tactical and operational risks.
3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Y	The audit committee meets its statutory requirement to ensure that the external audit function is independent from the organisation and recommends the external auditor to the shareholders for reappointment at the annual general meeting. It also approves the scope and fee of external audit and monitors compliance with non-audit services.
3.10. The audit committee should report to the Board and shareholders on how it has discharged its duties.	Y	The committee reports its activities to the Board as soon as possible after each meeting regarding any significant issues which might affect the Directors' liability or significant issues arising out of the review of the financial statements, and discussions on the audits undertaken. An Audit Committee report is included annually in the integrated report.
4. The governance of risk		
4.1. The Board should be responsible for the governance of risk.	Y	See principle 2.7

4.2. The Board should determine the levels of risk tolerance.	Y	The Board is, ultimately, responsible for risk governance and determines the level of risk tolerance within the organisation.
4.3. The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	Y	The Strategic Risk Committee had been established in line with King III. All the members are independent non-executive Directors. The committee meets at least twice annually in accordance with the Risk Committee Charter.
4.4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Y	Management is responsible for the design, implementation and monitoring of the risk management framework, risk management process, risk management plan and to give effect to risk management in operations, in substance and form.
4.5. The Board should ensure that risk assessments are performed on a continual basis.	Y	The Strategic Risk Committee ensures that a thorough business risk assessment is continuously undertaken and a risk profile is compiled by the Operational Risk Committee as well as monitor the risk management plan of the organisation.
4.6. The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Y	The Board has implemented a risk Charter, policy and framework. The strategic, divisional and generic operational risks have been identified in a risk matrix to assist the

		Strategic Risk Committee in anticipating, considering unpredictable risks and identifying mitigating measures.
4.7. The Board should ensure that management considers and implements appropriate risk responses.	Y	The Board retains full and effective control by monitoring executive management and ensuring that adequate systems of financial and operational internal controls are in place and monitored as well as responding appropriately to identified risks.
4.8. The Board should ensure continual risk monitoring by management.	Y	The Board delegates through the Strategic Risk Committee, which is an extension of the Audit Committee, to ensure that the Operational Risk Committee, which is comprised of senior executives, continuously monitors risk.
4.9. The Board should receive assurance regarding the effectiveness of the risk management process.	Y	Noting the risks and trends contained within the operational risk assessments, the Audit and risk committee evaluates the overall risk profile of the group in the context of delivering its strategic objectives. Assessments are made of the broader macro-environment, as well as corporate and compliance risk (both regulatory and legal). These risks are, ultimately, reported to the Board and the overall strategy of the group is reviewed accordingly.
4.10. The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Y	Risk management forms a large part of integrated reporting, on recommendation by the Audit Committee and the approved by the Board; the annual integrated report is made available to all interested parties. The organisation has endeavoured to provide

		greater levels of disclosure, as such various risk related documentation is made available on the WBHO website.
5. The governance of information technology		
5.1. The Board should be responsible for information technology (IT) governance.	Y	See principle 2.8
5.2. IT should be aligned with the performance and sustainability objectives of the company.	Y	The IT Steering Committee holds quarterly meetings with senior divisional and financial management, as well as regular meetings with senior financial management, to ensure that IT is prioritised according to the strategy and current business needs of the organisation. The Committee is responsible for ensuring effective, appropriate IT governance and support.
5.3. The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Y	Management considers recognised corporate governance practices and best practice when formulating the governance framework. The IT governance framework has been implemented.

<p>5.4. The Board should monitor and evaluate significant IT investments and expenditure.</p>	<p>Y</p>	<p>IT investments and expenditure are approved by divisional Directors before going through a formal CAPEX approval process. Once approved, EXCO is notified of the intended investment and expenditure.</p>
<p>5.5. IT should form an integral part of the risk management of the company.</p>	<p>Y</p>	<p>IT risk management forms part of the IT Governance Framework as well as the Risk Management Framework. As such, it is pro-actively embedded into the risk management process of the Company.</p>
<p>5.6. The Board should ensure that information assets are managed effectively.</p>	<p>Y</p>	<p>Information assets are managed effectively with an asset tracking system. All organisation and client information is properly protected and treated by the organisation as an important asset.</p>
<p>5.7. A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.</p>	<p>Y</p>	<p>The Board is responsible for information technology (IT) governance, assisted by the audit and risk committees.</p>
<p>6. Compliance with laws, rules, codes and standards</p>		

<p>6.1. The Board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.</p>	<p>Y</p>	<p>See Principle 2.9</p>
<p>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.</p>	<p>Y</p>	<p>See Principle 2.20. In addition, the Social and Ethics Committee. maintains a legislation risk matrix which is updated on a monthly basis. The material content and changes identified are reported to the Board on a bi-annual basis.</p>
<p>6.3. Compliance risk should form an integral part of the risk management process of the company.</p>	<p>Y</p>	<p>See principle 3.8. In addition, compliance risk forms part of the strategic risks and is therefore dealt with as part of a formal and structured process.</p>
<p>6.4. The Board should delegate to management the implementation of an effective compliance framework and processes.</p>	<p>Y</p>	<p>In ensuring compliance with the letter and spirit of the law the Board delegates, to formally constituted sub-committees, the task of monitoring compliance. The sub-committees engage with various key operational reporting areas within the organisation and report any irregularity or area of concern to the Board.</p>
<p>7. Internal audit</p>		

7.1. The Board should ensure that there is an effective risk based internal audit.	Y	See Principle 2.10
7.2. Internal audit should follow a risk based approach to its plan.	Y	The audit planning methodology adopted by the internal audit department implements a risk-based approach to its plan, together with compliance with policies and procedures. A risk universe formally demonstrates processes that ensure the application of the Internal Auditors Association's (IIA) recommendations with regard to risk-based internal auditing.
7.3. Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management of the company.	Y	The findings of Internal Audit are formally reported to the Audit Committee and Management by means of an Internal Audit Report. The Report includes an evaluation of the dependability of management and control measures prescribed by Management.
7.4. The audit committee should be responsible for overseeing internal audit.	Y	See Principle 3.7

7.5. Internal audit should be strategically positioned to achieve its objectives.	Y	During the year under review the internal audit function was outsourced. As such, the internal auditors are independent from the activities they audit and therefore can perform their work freely, objectively and without hindrance.
8. Governing stakeholder relationships		
8.1. The Board should appreciate that stakeholders' perceptions affect a reputation of the company.	Y	See Principle 2.11
8.2. The Board should delegate to management to proactively deal with stakeholder relationships.	Y	The Board is responsible for effective communication with stakeholders, particularly investors, clients and potential clients, staff and unions. Executive management maintain regular dialogue with investors and clients. A variety of informal and formal methods are employed to gather and exchange information with our stakeholders. The insights we gain through these exchanges are fed directly into our decision making processes through our management teams and inform the strategies of the group.
8.3. The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Y	The stakeholder engagement conducted by the Board continues to focus on building mutually beneficial relationships with its most material stakeholders who are defined as those most affected by or most likely to influence the business.

<p>8.4. Companies should ensure the equitable treatment of shareholders.</p>	<p>Y</p>	<p>The organisation maintains a proactive dialogue with stakeholders who include shareholders, investment analysts, employees, regulatory authorities, the JSE Ltd and the media. The Board members also interact with shareholders at presentations to investment analysts and at our annual general meeting.</p> <p>All shares of the same class rank <i>pari passu</i> in respect of all rights.</p>
<p>8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.</p>	<p>Y</p>	<p>Reporting on the organisations results holds us accountable to all of our stakeholders in a transparent and structured way, in so doing we are compelled to take responsibility for our actions. We have engaged with our clients, employees, shareholders, industry associations, financial institutions, suppliers and contractors, government, communities and the investment community in a clear and transparent fashion. As a result of this process, we have a deepened appreciation for the tangible value of transparency and open engagement.</p>
<p>8.6. The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.</p>	<p>Y</p>	<p>Contracts and agreements that the organisation enters into incorporate dispute resolution provisions, any disputes that arise would be dealt as effectively and efficiently as possible in accordance with the provisions of the relevant contract or agreement.</p>
<p>9. Integrated reporting and disclosure</p>		

<p>9.1. The Board should ensure the integrity of the integrated report of the company.</p>	<p>Y</p>	<p>See Principle 2.12</p>
<p>9.2. Sustainability reporting and disclosure should be integrated with the financial reporting of the company.</p>	<p>Y</p>	<p>In addition to adopting an integrated approach to reporting, the organisation has applied the King Code of Corporate Governance Principles for South Africa (King III), and the JSE Ltd Listings Requirements. The organisation is guided by the Global Reporting Initiative's (GRI) 3 Guidelines. The organisation has endeavoured to provide greater levels of disclosure, as such various sustainability related documentation is made available on the WBHO website.</p>
<p>9.3. Sustainability reporting and disclosure should be independently assured.</p>	<p>U</p>	<p>It is the intention of the Audit Committee and the Board to obtain external assurance on the accuracy of the sustainability information published in the integrated report.</p>