



KING III COMPLIANCE REGISTER - 2013

The table below articulates Tongaat Hulett’s application of the principles contained in King III as required by the JSE Listings Requirements

Principle		Compliance		Notes
		Yes	N/A	
Chapter 1 – Ethical leadership and corporate citizenship				
Principle 1.1	The board should provide effective leadership based on an ethical foundation	✓		<p>The board leads the organisation in accordance with principles based on transparency, accountability, integrity and ethical leadership. A Corporate Governance Manual which includes the board- approved Board Charter, Code of Ethics, Directors’ Code of Conduct, committee terms of reference and established policies and practices demonstrate a sound framework for effective leadership premised on an ethical foundation.</p> <p>The company operates within a board-approved Code of Business Conduct and Ethics which supports a commitment to fair dealing, honesty and integrity in the conduct of its business.</p> <p>The company is a solid and responsible corporate citizen. This is articulated in detail in the Integrated Annual Report under the sustainability section.</p>
Principle 1.2	The board should ensure that the company is an is seen to be a responsible corporate citizen	✓		
Principle 1.3	The board should ensure that the company’s ethics are managed effectively	✓		
Chapter 2 – Board and Directors				
Principle 2.1	The board should act as the focal point for and custodian of corporate governance	✓		<p>The board is the ultimate custodian of corporate governance. The corporate governance report in the Integrated Annual Report fully articulates the leadership taken by the board in this regard.</p>
Principle 2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓		
Principle 2.3	The board should provide effective leadership based on an ethical foundation	✓		<p>The Corporate Governance Manual, which includes the board charter and terms of reference of various committees, records the role and responsibilities of the various governance structures.</p>
Principle 2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓		
Principle 2.5	The board should ensure that the company’s ethics are managed effectively	✓		

Principle		Compliance		Notes	
		Yes	N/A		
Principle 2.6	The board should ensure that the company has an effective and independent audit committee	✓		Refer to Chapters 3, 4, 5 and 6 below which reflect how the board discharged its responsibilities for an effective and independent audit committee; the governance of risk, the governance of information technology and compliance with laws.	
Principle 2.7	The board should be responsible for the governance of risk	✓			
Principle 2.8	The board should be responsible for information technology (IT) governance	✓			
Principle 2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓			
Principle 2.10	The board should ensure that there is an effective risk based internal audit	✓			
Principle 2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	✓			
Principle 2.12	The board should ensure the integrity of the company's integrated report	✓			
Principle 2.13	The board should report on the effectiveness of the company's system of internal controls	✓			
Principle 2.14	The board and its directors should act in the best interests of the company	✓			The board continuously monitors the solvency, liquidity and going concern status of the company.
Principle 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	✓			The chairman of the board fulfills the independence criteria set out in King III.
Principle 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 fulfill the role of chairman of the board	✓			The roles of CEO and chairman are separate.
Principle 2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓			
Principle 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	✓			
Principle 2.19	Directors should be appointed through a formal process	✓		The company secretary is competent, suitably qualified and experienced. Refer to corporate governance report in the Integrated Annual Report.	
Principle 2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	✓			
Principle 2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	✓			
Principle 2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓			

Principle		Compliance		Notes
		Yes	N/A	
Principle 2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓		<p>Refer to corporate governance report which explains the evaluation process of the board, its committees and individual directors; and the summary of the terms of reference of the various committees.</p> <p>The board appointed the Remuneration Committee which has fulfilled its obligations in accordance with its terms of reference for the period under review.</p> <p>The Remuneration report contained in the Integrated Annual report provides further detail.</p> <p>The Notice of Annual General Meeting contained in the Integrated Annual Report includes a non-binding advisory vote on the company's remuneration policy.</p>
Principle 2.24	A governance framework should be agreed between the group and its subsidiary boards		✓	
Principle 2.25	Companies should remunerate directors and executives fairly and responsibly	✓		
Principle 2.26	Companies should disclose the remuneration of each individual director and prescribed officers	✓		
Principle 2.27	Shareholders should approve the company's remuneration policy	✓		
Chapter 3 – Audit committees				
Principle 3.1	The board should ensure that the company has an effective and independent audit committee	✓		
Principle 3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓		
Principle 3.3	The audit committee should be chaired by an independent non-executive director	✓		
Principle 3.4	The audit committee should oversee integrated reporting	✓		
Principle 3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓		
Principle 3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓		
Principle 3.7	The audit committee should be responsible for overseeing of internal audit	✓		
Principle 3.8	The audit committee should be an integral component of the risk management process	✓		
Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓		
Principle 3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓		

Principle		Compliance		Notes
		Yes	N/A	
Chapter 4 – The governance of risk				
Principle 4.1	The board should be responsible for the governance of risk	✓		<p>The Board Charter and the Risk, SHE, Social & Ethics Committee terms of reference confirm the Board’s responsibility of ensuring the governance of risk across the organisation.</p> <p>The Risk, SHE, Social & Ethics Committee ensures that the company operates within an effective risk management framework which includes policy and plan for the adequate and proactive management of risks.</p> <p>The Integrated report includes a statement setting out how the Board through the Risk, SHE, Social & Ethics and Audit and Compliance Committees have received 3rd party assurance regarding the effectiveness of the risk management process.</p> <p>Refer to the report of the Risk, SHE, Social & Ethics committee contained in the Corporate Governance section of the Integrated report to see how the committee discharged its responsibilities for the period under review.</p>
Principle 4.2	The board should determine the levels of risk tolerance	✓		
Principle 4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibility	✓		
Principle 4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓		
Principle 4.5	The board should ensure that risk assessment are performed on a continual basis	✓		
Principle 4.6	The board should ensure that framework and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓		
Principle 4.7	The board should ensure that management considers and implements appropriate risk responses	✓		
Principle 4.8	The board should ensure continual risk monitoring by management	✓		
Principle 4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓		
Principle 4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓		
Chapter 5 – The governance of information technology				
Principle 5.1	The board should be responsible for information technology (IT) governance	✓		<p>The Board Charter and the Audit and Compliance committee terms of reference confirm the board’s responsibility ICT governance.</p> <p>The Information and Communication Technology Policy and Charter form part of the IT governance framework have been developed and approved by the board and rolled out to operations.</p> <p>The Audit Committee monitors significant IT investments and projects underway.</p>
Principle 5.2	IT should be aligned with the performance and sustainability objectives of the company	✓		
Principle 5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	✓		
Principle 5.4	The board should monitor and evaluate significant IT investments and expenditure	✓		
Principle 5.5	IT should form an integral part of the company’s risk management	✓		
Principle 5.6	The board should ensure that information assets are managed effectively	✓		

Principle		Compliance		Notes
		Yes	N/A	
Principle 5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓		Both the Audit and Compliance, and the Risk, SHE, Social & Ethics committees have specific duties relating to risk governance. The Risk Management Process is articulated in the Corporate governance report and provides detail on the responsibilities of the two committees for the governance of IT.
Chapter 6 – Compliance with laws, rules, codes and standards				
Principle 6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓		The Board Charter confirms that the board is responsible for ensuring that the company complies with all relevant laws, regulations and codes of business practise. The board has delegated the responsibility for ensuring that the relevant compliance processes are in place to the Audit and Compliance committee. The Company Secretary's role and responsibilities include monitoring regulatory compliance. The board is regularly informed and updated of relevant laws, rules, codes and standards through reports presented to the Audit and Compliance committee. The company operates within an established compliance framework which includes a Compliance Policy and Charter.
Principle 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	✓		
Principle 6.3	Compliance risk should form an integral part of the company's risk management process	✓		
Principle 6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓		
Chapter 7 – Internal Audit				
Principle 7.1	The board should ensure that there is an effective risk based internal audit	✓		The Internal Audit Plan articulates the role of internal audit, and confirms the adoption of a risk-based approach to its plan.
Principle 7.2	Internal audit should follow a risk based approach to its plan	✓		
Principle 7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	✓		

Principle		Compliance		Notes
		Yes	N/A	
Principle 7.4	The audit committee should be responsible for overseeing internal audit	✓		<p>The Internal Audit function has performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, IT controls as they pertain to financial reporting and the effectiveness of its risk management process for the period under review.</p> <p>The Audit and Compliance committee is responsible for overseeing internal audit. Refer to the report of the committee contained in the Corporate Governance report for further detail.</p>
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives	✓		<p>The Internal Audit Charter confirms that the Internal Audit Manager, as head of internal audit, reports administratively to the Chief Financial Officer (CFO) and functionally to the Chairman of the Audit and Compliance committee. The Internal Audit Manager attends Audit and Compliance, and Risk, SHE, Social & Ethics Committee meetings, and through ongoing interaction with CFO is apprised of strategic objectives. Internal Audit is thus independent and objective, and strategically positioned to achieve its objectives.</p>
Chapter 8 – Governing stakeholder relationships				
Principle 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	✓		<p>Numerous documents including the CEO report (to every board meeting), Strategic Plan and Budget/Business Plan clearly identify the key stakeholder grouping for the company. In addition, regular updates on these stakeholder groupings impact on Tongaat Hulett's sustainability is highlighted.</p> <p>Refer to the sustainability report contained in the Integrated Annual Report for the company's position on stakeholder engagement and social innovation.</p>
Principle 8.2	The board should delegate to management to pro-actively deal with stakeholder relationships	✓		
Principle 8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓		
Principle 8.4	Company should ensure the equitable treatment of shareholders	✓		
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓		
Principle 8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible			

Principle		Compliance		Notes
		Yes	N/A	
				The communication channels for both external and internal stakeholders are considered transparent, effective and adequate. Formal dispute resolution processes for internal and external disputes are in place.
Chapter 9 – Integrated reporting and disclosure				
Principle 9.1	The board should ensure the integrity of the company’s integrated report	✓		The Integrated Annual Report report is reviewed by the Audit and Compliance Committee and the board prior to it being published to ensure its integrity. Furthermore, the external auditors review the integrated report in order to ensure that the information published is consistent with the outcome of their audit of the financial statements. Sustainability reporting and disclosure is integrated with the company’s financial reporting. Sustainability reporting and disclosures are independently assured. Refer to the Independent Assurance Statement contained the Sustainability report.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company’s financial reporting	✓		
Principle 9.3	Sustainability reporting and disclosure should be independently assured	✓		