

King III Compliance

The Board supports the Code of Corporate Practices and Conduct as recommended by the King III Report on Corporate Governance for South Africa 2009 (“King III”).

This document contains a summary of the Group’s application of all of the principles contained in King III.

The Board continues to consider the recommendations of King III with reference to the Group and Company’s size and stages of development.

Principles of King III		Comments
Chapter 1: Ethical leadership and corporate citizenship		
1.1	The board should provide effective leadership based on an ethical foundation	The Board is responsible for corporate governance and has the main function of determining the Group’s strategic direction and is responsible for the control of the Group. The Board requires management to execute strategic decisions effectively and according to laws and the legitimate interests and expectations of stakeholders. The expectations of stakeholders and the Group’s commitment are included in the Group’s Integrated Report. The Board is responsible to ensure that management actively cultivates a culture of ethical conduct and sets the values to which the Group adheres. The Board strives to ensure that the Group is and is seen to be a responsible corporate citizen. The adherence to ethical values is also monitored by the social and ethics committee (a sub-committee of the Board).
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board acknowledges that it is not merely responsible for the Group’s financial bottom line, but rather for the Group’s performance within the

		complete context in which it operates. The economic, social and environmental performance is included in the Group's Integrated Report and is considered in the Board's decision making.
1.3	The board should ensure that the company's ethics are managed effectively.	The Board takes responsibility for building and sustaining an ethical corporate culture in the Group. The Board is seen to support the ethical values of the Group actively by taking measures to achieve adherence to them in all aspects of the business. The Board ensures that ethics is an integral part of the way in which the Group conducts its business. The Board also ensures that the Group's ethical standards are integrated into all the Group's strategies and operations.
Chapter 2: Boards and directors		
2.1	The board should act as the focal point for and custodian of corporate governance	All deliberations and decision making by the Board is conducted with the highest standards of corporate governance in mind. The Group applies this principle through compliance with the Board Charter and with the Companies Act.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Quarterly review sessions are held where the Group's strategy, performance and risks are reviewed by the board to ensure the business remains sustainable.
2.3	The board should provide effective leadership based on an ethical foundation	Effective and ethical leadership is entrenched in the Board's decision

		making. The Board follows the principles of the company's Code of Ethics, goods corporate governance in terms of King III and the responsibilities carried of the Social and Ethics Committee.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	The board acknowledges that it is not merely responsible for the Group's financial bottom line, but rather for the group's performance within the complete context in which it operates. The Group continues to support specific causes as reported in this Integrated Report in the Governance section. The board also monitors such activities through the Social and Ethics Committee.
2.5	The board should ensure that the company's ethics are managed effectively	The Board adopted and endorses a code of ethics and conduct for the Group, which is reviewed on a regular basis and monitored through the Social and Ethics Committee
2.6	The board should ensure that the company has an effective and independent audit committee	The audit committee (part of the ARITC) is comprised of 2 independent non-executive directors, one of whom is the chairman of the Board. All the members have the necessary skills and experience required of the audit committee. An audit Charter and work

		plan has been implemented, and is managed and updated continuously.
2.7	The board should be responsible for the governance of risk	A risk committee (part of the ARITC) has been appointed with an appropriate charter and work plan. This committee also monitors the group risks through the use of an established risk management framework.
2.8	The board should be responsible for information technology (IT) governance	The Board takes overall responsibility for IT governance. This has been incorporated in the IT committee (part of the ARITC). A working group has been established which acts within the parameters of the company's IT Charter and reports back to the IT committee on IT performance and risk management areas.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	As part of the duties of the social and ethics committee it represents the board on monitoring compliance with all applicable laws and regulations, as well as rules, codes and standards.
2.10	The board should ensure that there is an effective risk-based internal audit	The Board implemented an effective risk based internal audit function by appointing Mr Craig Smith CA (SA) as the independent internal auditor. The internal audit function is guided by and reports to the audit committee.

2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	The company understands that communication with stakeholders in respect of financial and non-financial information is vital and open dialogue is actively pursued.
2.12	The board should ensure the integrity of the company's integrated report	The Integrated Report 2013 was reviewed by both the ARITC and the Board of Directors
2.13	The board should report on the effectiveness of the company's system of internal controls	The effectiveness of internal control is reviewed by the ARITC and any significant matters are reported in the integrated report. Annually management report to the ARITC on the adequacy and operating effectiveness of entity level controls; financial report controls; fraud and risk controls; key account balances; and key disclosure controls.
2.14	The board and its directors should act in the best interests of the company	Board Charter sets out these principles
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	Not 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 fulfill the role of chairman of the board.	An independent non-executive chairman has been appointed. The roles of the chairman and the CEO are separate
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	A delegation of authority policy and authorisation matrix are in place for the Group.
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	SilverBridge has a unitary Board structure, with seven directors. The Board composition is as

		<p>follows:</p> <ul style="list-style-type: none"> • Chief Executive Officer • Financial Director • Chairman that is an independent non-executive director • One independent non-executive director • Three non-executive directors
2.19	Directors should be appointed through a formal process	Directors are appointed by means of a transparent and formal procedure, governed by the nomination committee's terms of reference. The nomination committee is responsible for selecting and recommending the appointment of competent, qualified and experienced directors.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	All new directors are subjected to an induction program and attend the JSE director training programme.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	A suitably competent and qualified company secretary is in place that assists the Board in meeting its fiduciary obligation. The company secretary is evaluated annually.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	No formal assessment of the Board was performed in the current period. However, the Chairman and CEO review the Board's performance informally on an ongoing basis which includes monitoring the

		contribution of individual directors. The Board will perform a formal assessment in the next financial period.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Proper Committees have been established and appointed. The following committees are in place: <ul style="list-style-type: none"> • Audit Risk and IT committee (ARITC) • Social, Ethics and Remuneration Committee (SERC) • Investment Committee • Nomination Committee • Certain special purpose sub-committees from time to time.
2.24	A governance framework should be agreed between the group and its subsidiary boards	The holding company and its subsidiaries operate as a single corporate group and subsidiaries are required to entrench the holding company governance framework within their day-to-day activities. No separate board meetings are held on subsidiary level, however they are being dealt with sufficiently in the Group board meetings.
2.25	Companies should remunerate directors and executives fairly and responsibly	Addressed at the Remuneration Committee Meetings
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration has been disclosed in the Integrated Report. The salaries of the top three earners (who are not directors) has also been disclosed

2.27	Shareholders should approve the Company's remuneration policy	The nominations and remuneration committee remunerates fairly according to the Group's remuneration policy which is set out in the Integrated Report and which provides that remuneration is based on basic salary, performance bonuses and share incentive schemes. This policy was established and is reviewed by the remuneration committee for recommendation to the board, which the board in turn recommends to the shareholders.
------	---	---

Chapter 3: Audit committee

3.1	The Board should ensure that the Company has an effective and independent Audit Committee	<ul style="list-style-type: none"> • Mr J de Villiers, an independent non-executive director served as the Chairman of the Audit, Risk and IT Committee. • Mr T Murray, a non-executive director, served on the Audit, Risk and IT Committee. He continued throughout the year and applied his mind independently to matters relating to the committee. We confirm that he does not hold any shares in his personal name neither does he have any indirect beneficial interests in the shareholding. • Mr R Emslie, the independent non-
-----	---	---

		<p>executive chairman of the Board continued to serve as a member of the Audit, Risk and IT Committee. He was nominated for re-election to serve on this committee. The board through its Nomination Committee is in the process of recruiting more independent non-executive directors to serve on the Audit, Risk and IT Committee.</p>
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Members of the Audit, Risk and IT committee are all suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director	Mr J de Villiers, an independent non-executive director served as the chairman of the Audit, Risk and IT Committee.
3.4	The audit committee should oversee integrated reporting	The Audit, Risk and IT Committee reviewed and commented on the Integrated Report. The committee recommended the Integrated Report 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	The Audit, Risk and IT Committee oversees the assurance activities to ensure that they are constructed in a co-ordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The Audit, Risk and IT Committee was satisfied with the overall expertise and adequacy of resources in the finance department, as well as the experience of the

		senior members of management responsible for it.
3.7	The audit committee should be responsible for overseeing of internal audit.	The Audit, Risk and IT Committee is responsible for overseeing the internal audit function.
3.8	The audit committee should be an integral component of the risk management process.	The Audit, Risk and IT Committee reviewed the Group's risk approach and found it to be sound.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	The Audit, Risk and IT Committee recommended to the Board and to shareholders the appointment of KPMG Inc. as the external auditors. The committee also oversees the audit process.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	The Audit, Risk and IT Committee formally reports to the Board during each meeting. The report of the Audit, Risk and IT Committee is included in the Group's Integrated Report.
Chapter 4: The governance of risk		
4.1	The board should be responsible for the governance of risk.	The Board, with the assistance of the Audit, Risk and IT Committee is responsible for the governance of risk.
4.2	The board should determine the levels of risk tolerance.	We follow a strategic risk management process: <ul style="list-style-type: none"> • Events that may lead to risks materialising are identified within the generic risk framework. • Events are then assessed, with regards to their probability, as well as their potential impact on the business if

		<p>they materialise.</p> <ul style="list-style-type: none"> • Preventative actions (probability) and contingent actions (impact) are identified to mitigate these, as well as critical action plans (to be managed on an executive committee level). • Taking these actions into account, the overall assessment of risk is compared against the level of risk deemed acceptable by the Group. • The executive committee reports to the Audit, Risk and IT Committee on overall risk processes, identified events and mitigation action plans. The Audit, Risk and IT Committee, in turn, presents to the Board an overview of these potential risks, processes and critical actions.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	See 4.1 and 4.2
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated the day-to-day responsibility for risk management to management.
4.5	The board should ensure that risk assessments are performed on a continual basis.	The Audit, Risk and IT Committee actively monitors the Group's key risks as part of its standard agenda.
4.6	The board should ensure that the frameworks and methodologies are	All risks are identified and steps to mitigate

	implemented to increase the probability of anticipating unpredictable risks.	these are outlined, including reasonably unpredictable risks
4.7	The board should ensure that management considers and implements appropriate risk responses.	The Audit, Risk and IT Committee ensures that management has in place appropriate responses to perceived risks.
4.8	The board should ensure continual risk monitoring by the management.	The Audit, Risk and IT Committee monitors management's assessment and management of risk to ensure continual risk management.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	The Audit, Risk and IT Committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities to address all the significant risks facing the Group.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	The Group's Integrated Report provides a detailed outline of the risk management process to its stakeholders.
Chapter 5: The governance of information technology		
5.1	The board should be responsible for information technology (IT) governance.	IT governance is the responsibility of the Board and the Board approves the framework that supports effective and efficient management of IT resources to facilitate the achievement of a Group's strategic objectives. The IT governance framework is implemented and monitored by the IT steering committee and includes relevant structures, processes and mechanisms to

		enable IT to deliver value to the business and to mitigate IT risk.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	The Board ensures that the IT strategy is integrated with the Group's strategic and business processes and encourages the alignment between IT and strategic and business processes to ensure that the business and IT plans are integrated. The IT governance framework is designed to enhance the Group's ability to reach its objectives by making the most appropriate decisions about incorporating IT into its operations, programmes and services on a secure and sustainable basis.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Management are responsible for the implementation of all the structures, processes and mechanisms to execute the IT governance framework.
5.4	The board should monitor and evaluate significant IT investments and expenditure	Management are responsible for the implementation of all the structures, processes and mechanisms to execute the IT governance framework. Effective IT frameworks and policies, as well as the processes, procedures and standards that these involve, are implemented with the view to minimise IT risk, deliver value, ensure business
5.5	IT should form an integral part of the company's risk management	IT risks form part of the Group's risk

		management activities and is reported to the board regularly. IT risks are also covered by the risk management plan.
5.6	The board should ensure that information assets are managed effectively.	The board ensures that there are systems in place for the management of information assets and the performance of data functions including the availability of information and information systems in a timely manner and implementing a suitable information security management programme.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	The Audit, Risk and IT Committee ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes. The Audit, Risk and IT Committee considers IT risk as a crucial element of the effective oversight of risk management of the Group. In understanding and measuring IT risks, the members of the Audit, Risk and IT Committee understand the Group's overall exposure to IT risks from a strategic and business perspective, including the areas of the business that are most dependent on IT for effective and continual operation.
Chapter 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.	The Board ensures that the Group complies with applicable laws and considers adherence to

		non-binding rules, codes and standards;
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 directors and the Board understand the appropriate applicable laws, rules, codes of standards required by the company and its business.
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance is an identified significant risk and addressed as part of the risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Management ensures the integration and alignment of the compliance policy with other business efforts and objectives to avoid duplication of effort.
Chapter 7: Internal risk		
7.1	The board should ensure that there is an effective risk-based internal audit.	A risk-based internal audit is in place
7.2	Internal audit should follow a risk-based approach to its plan.	A risk-based approach is followed by internal audit.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	The internal review function plays an important role in providing assurance to the board regarding the effectiveness of the system of internal controls and risk management of the Group. The Board reports on the effectiveness of the system of internal controls in the integrated report.
7.4	The audit committee should be responsible for overseeing internal audit.	The Audit, Risk and IT Committee is responsible for overseeing the internal audit.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Internal audit is independent, with no material breakdowns,

		enabling it to achieve its objectives.
Chapter 8: Governing stakeholder relations		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	We recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the Group to better understand and address the impact of its activities on society.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Management is responsible for maintaining stakeholder relationships.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	The Board acts in the best interests of the Group and strives to achieve an appropriate balance between the interests of various stakeholders. In doing so, the Board takes into account, as far as possible, the legitimate interests and expectations of its stakeholders in its decision-making.
8.4	Companies should ensure the equitable treatment of shareholders.	The Board is constantly mindful of the fact that minority shareholders should be protected from abusive actions by or in the interests of larger shareholders.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board acknowledges that relationships with stakeholders can only be built and maintained if the Group provides complete, timely, relevant, accurate, honest and accessible information.

8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board ensures that disputes are resolved effectively as is possible
Chapter 9: Integrated reporting and disclosure		
9.1	The board should ensure the integrity of the company's integrated report.	The Board is responsible for the integrity of the Integrated Report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	The annual financial statements for the Company and the Group are included in the Integrated Report. The Board has provided commentary on the Group's financial results in the Integrated Report. This commentary includes information to enable a stakeholder to make an informed assessment of the Group's economic value, by allowing stakeholders insight into the prospects for future value creation and the Board's assessment of the key risks which may limit those prospects. The Board discloses whether the Group is a going concern and whether it will continue to be a going concern in the financial year ahead.
9.3	Sustainability reporting and disclosure should be independently assured	At present the Company does not obtain independent assurance. This will be considered in future.