

KING III SCHEDULE



AfroCentric
GROUP

(Incorporated in the Republic of South Africa)
(Registration number: 1988/000570/06)
Share code: ACT ISIN: ZAE000078416

KING III COMPLIANCE REGISTER 2015

The JSE Listings Requirements require all JSE-listed companies to provide a narrative of how it has applied the recommendations contained in King III. Below is the King III gap analysis for the year ended 30 June 2015. Compliance was for the full period unless indicated previously.

✓ Applied

✗ Partial application

△ Under review

PRINCIPLE #	PRINCIPLE	Indicator	APPLICATION OF THE PRINCIPLE OR APPLICABLE EXPLANATION
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.1	The Board should provide effective leadership based on an ethical foundation	✓	The role and responsibilities of the Board are regulated by the Company's Memorandum of Incorporation and the Board Charter. The Board and management subscribe to the philosophy that corporate governance, built on an ethical and values-based foundation, permeates all business activities and enables us to achieve our short and medium-term strategic objectives while contributing to reaching AfroCentric's vision.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	✓	AfroCentric's environmental policy states its commitment to operating as an environmentally responsible company, and its belief that the integrated actions of its operations to conserve natural resources and protect the environment make business.
1.3	The Board should ensure that the Company's ethics are managed effectively	✓	The Board considers quarterly at its meetings the non-financial performance, risks and impacts of operations to all key stakeholders as a standard part of its quarterly report-back. Furthermore, the Board has established the Social and Ethics Committee to deal with key sustainable matters. AfroCentric remains committed to the highest standards of integrity, honesty and fairness.
BOARDS AND DIRECTORS			
2.1	The Board should act as the focal point for and custodian of corporate governance	✓	The Board, as stated in its Charter, accepts responsibility for corporate governance throughout the organisation and demonstrates same in its meetings and interaction with management. The Board, as custodian of corporate governance, has made the office of the Group Company Secretary responsible for implementing and monitoring compliance to associated best practices across the Group.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	✓	The Board has strongly endorsed the strategy at the AfroCentric strategic session that takes place annually. The Board has ensured the implementation of risks and sustainability frameworks.
2.3	The Board should provide effective leadership based on an ethical foundation	✓	Refer to principles 1.1 and 1.3.

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2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	✓	Refer to principle 1.2.
2.5	The Board should ensure that the Company's ethics are managed effectively	✓	Refer to principles 1.1 and 1.3.
2.6	The Board should ensure that the Company has an effective and independent Audit Committee	✗	The Audit Committee is established in terms of the Companies Act No. 71 of 2008 and meets quarterly. Refer to principle 3.1.
2.7	The Board should be responsible for the governance of risk	✓	The Board is assisted by the Audit and Risk Committees in discharging its duties for managing risk.
2.8	The Board should be responsible for information technology governance	✓	The Audit and Risk as well as the Social and Ethics Committees meet to consider the implementation, progress and performance of the risk management process and have adopted a Group information technology governance policy. Refer to principle 4.1.
2.9	The Board should ensure the Company complies with all applicable laws and considers adherence to non-binding rules, codes and standards	✓	AfroCentric does comply with the applicable laws and strictly adheres to such laws and rules as legislated. The Board has ensured that a compliance framework, a code of ethics and standard of conduct has been implemented. AfroCentric has a zero-tolerance risk appetite for non-compliance.
2.10	The Board should ensure there is an effective risk-based internal audit	✓	The Board has ensured the establishment of the internal audit function which complies with the standards as set out by the Institute of Internal Auditors for the professional practice of internal auditing and code of ethics. The internal audit methodology includes a risk-based approach.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	✓	AfroCentric's stakeholders are defined as any group or individual that can affect the Company's operations, or be affected by the Company's operations. These stakeholders include but are not limited to customers, employees, shareholders, investors, analysts, suppliers of goods and services, regulators, the community, industry associations, intermediaries and trustees. The values bind the brands together and ensure consistency in interactions with all stakeholders. Stakeholders are treated fairly and AfroCentric strives to enhance and develop products, services and communication channels to meet their expectations. In doing this, AfroCentric keeps abreast of all developments in markets, improve and update the knowledge and understanding of its industries on an ongoing basis, and applies its own unique entrepreneurial skills to grow and be successful.
2.12	The Board should ensure the integrity of the Company's Integrated Annual Report	✓	The Integrated Annual Report is reviewed by the Audit Committee and recommended for approval by the Board.

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2.13	The Board should report on the effectiveness of the Company's system of internal controls	✓	The Board is assisted by the Audit and Risk Committees in reporting on the effectiveness of the Company's system of internal control which is done annually and a note is included in the annual financial statements. A combined assurance model and framework has been developed. This will require the relevant Board approval.
2.14	The Board and its Directors should act in the best interest of the Company	✓	The Board and its Committees have documented terms of reference which include the fiduciary duties to always act in the best interest of the Company. This is reflected in the conflicts of interest policy, which also applies to Directors. Conflicts and declarations of interests are declared at each meeting and minuted accordingly. All conflicts and declarations of interests (even those not within the definition of personal financial interests) are treated in line with section 75 of the Companies Act and is located at the Group Company Secretary's office.
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 Audit Committee reviews financial information in detail and recommends any specific action to the Board if required. The Committee regularly reviews the solvency and liquidity of the Group. In addition, when considering and reviewing the provision of financial assistance to related and interrelated parties, the Board as a whole also considers the solvency and liquidity of the Group. During the year, the Company met the solvency and liquidity test each time it was performed.
2.16	The Board should elect a Chairman who is an independent Non-executive Director. The CEO should not also fulfil the role of Chairman of the Board	✓	The Board Chairperson and the CEO, who are appointed by the Board, have independent functions as prescribed in the Board Charter. The roles of the Chairperson and the CEO are separate. The Board Chairperson is a Non-executive Director who is not classified as independent. The Chairperson applies independence of mind in all matters under discussion. A lead independent Non-executive Director, Mr Garth Napier, serves on the Board in line with King III principle 2.16.3.
2.17	The Board should appoint the CEO and establish a framework for delegation of authority	✓	The Board appointed the CEO and provides input into senior management appointments. The role and function of the CEO is formalised and the Board evaluates the performance of the CEO annually. The role and responsibilities of the CEO are stipulated in the Board Charter.

PRINCIPLE #	PRINCIPLE	Indicator	APPLICATION OF THE PRINCIPLE OR APPLICABLE EXPLANATION
2.18	<p>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>Sections 3.84(b), (f) and (g) of the Listings Requirements</p>	✓	<p>In line with the recommendations of King III, AfroCentric has a unitary Board structure, currently comprising:</p> <ul style="list-style-type: none"> • five independent Non-executive Directors; • three Non-executive Directors; • three Executive Directors. <p>The majority of Board members are independent Non-executive Directors. In assessing the independence of the Directors, an independent legal opinion was received in July 2015 by which Messrs Mottly Sacks and Meyer Kahn are now classified as independent Non-executive Directors.</p> <p>In dealing with the division of responsibilities between the Chairperson and CEO, noted in principle 2.17, ensures a balance of power and authority to guarantee that no Director has unfettered powers. The Board Charter and Memorandum of Incorporation further ensure that proper voting principles and processes are employed to enable a balance of power.</p>
2.19	<p>Directors should be appointed through a formal process.</p> <p>Section 3.84(a) and (e) of the Listings Requirements</p>	✓	<p>In line with the Board Charter, the Nominations Committee ("Nomco") is responsible for identifying suitable candidates as independent Non-executive Directors to be proposed to shareholders for approval.</p> <p>The nomination responsibilities of Nomco are detailed in its Charter.</p>
2.20	<p>The induction and ongoing training and development of Directors should be conducted through a formal process</p>	✓	<p>New Directors are informed of their responsibilities through extensive induction material, discussions and visits to the operations/businesses. All have access to key management members for information on AfroCentric.</p>
2.21	<p>The Board should be assisted by a competent, suitably qualified and experienced Company Secretary</p>	✓	<p>The Board selects and appoints the Group Company Secretary and recognises the pivotal role to be played by this person in entrenching good corporate governance. All Directors have access to the advice and services of the Group Company Secretary.</p> <p>Ms Shireen Lutchan was appointed as Group Company Secretary on 1 March 2015. She is not a Director of the Company. In line with the Listings Requirements, a detailed assessment was conducted by the Chairperson and the CFO to satisfy the Board of the competence, qualifications and experience of the Group Company Secretary. This was performed through:</p> <ul style="list-style-type: none"> • a review of qualifications and experience; and • completion of an assessment (detailing all the legislative and King III requirements) by the Chairperson and the completion of the administrative requirements by the CFO.

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2.22	The evaluation of the Board, its Committees and the individual Directors should be performed every year	✓	<p>The Board, Committee and individual Director assessment is conducted on an annual basis. The outcome is:</p> <ul style="list-style-type: none"> the Board is competent; the Board functions as an inclusive team, with contributions being quite varied; and the Board is well informed and attentive to key issues. <p>The Board comprises a highly diverse group of individuals.</p>
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities	✓	The Board Committees assist the Board in executing its duties, powers and authorities. The Board delegates to each Committee the required authority to enable it to fulfil its respective functions through a formal Board-approved Charter, which are reviewed annually. Each Committee has a detailed annual work plan to ensure full oversight of all matters within their delegated mandate.
2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	✓	Reporting between the Group and its subsidiaries is governed by internal policies and procedures and a formal governance framework is not considered essential. The activities of the significant subsidiary Boards are reported to the main Board.
2.25	Companies should remunerate Directors and Executives fairly and responsibly	✓	The Remuneration Committee approves the overall remuneration structure for the Group and considers all the elements with a view to creating a climate that is fair, but also motivates and supports high levels of performance and retention. The Non-executive Directors' fees are approved by shareholders with the Executive Directors' and prescribed officers' remuneration reported to shareholders annually in the Integrated Annual Report.
2.26	Companies should disclose the remuneration of each individual Director and prescribed officer	✓	Remuneration of the Non-executive and Executive Directors as well as the prescribed officers is disclosed in the Integrated Annual Report.
2.27	Shareholders should approve the Company's remuneration policy	✓	The remuneration policy is tabled at each Annual General Meeting by means of a non-binding advisory vote.

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AUDIT COMMITTEE			
3.1	The Board should ensure that the Company has an effective and independent Audit Committee	✓	<p>The Committee consists of three independent Non-executive Directors. The Chairperson of the Board is not a member of the Audit Committee. Also refer to principle 2.23.</p> <p>As defined in King III and as contained in the Companies Act, all three members are considered independent Non-executive Directors.</p> <p>The Committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements, and in line with a Charter. This incorporates King III principles, as well as duties specifically delegated by the Board. The Chairperson reports on each of its meetings at Board meetings. The Company has an effective and independent Audit Committee. The shareholders of the Company, at the Annual General Meeting elect an Audit Committee, comprising the independent, Non-executive Directors who are named and recommended for appointment in the notice of the Annual General Meeting.</p>
3.2	Audit Committee members should be suitably skilled and experienced independent Non-executive Directors	✓	All members of the Audit Committee are suitably skilled and experienced independent Non-executive Directors.
3.3	The Audit Committee should be chaired by an independent Non-executive Director	✓	The Audit Committee is chaired by an independent Non-executive Director, Ms Yasmin Masithela.
3.4	The Audit Committee should oversee integrated reporting	✓	The Audit Committee discharges its responsibilities in terms of section 94(7) of the Companies Act No. 71 of 2008, and as contained in the Committee's Charter, including overseeing the integrated reporting.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	✓	The assurance activities of management, internal and external audit are co-ordinated with each other, with the relationship between the external assurers and management being monitored by the Audit Committee.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	The expertise, resources and experience of the Company's finance function as well as the CFO is assessed annually by the Audit Committee in a closed session of members only. The process followed is reported to the Board at least annually.
	Section 34(h) of the Listings Requirements		
3.7	The Audit Committee should be responsible for overseeing internal audit	✓	The Audit Committee reviews the internal audit Charter and audit plans and further monitors internal audit's effectiveness. As detailed in its Charter, the Board has specifically assigned this responsibility to the Committee. The internal auditor submits detailed reports to each meeting, the Chairperson meets independently with internal audit and external audit.

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3.8	The Audit Committee should be an integral component of the risk management process	✓	The Chairperson of the Audit Committee attends and participates in the Risk Committee meetings, thereby ensuring the robustness of the risk management process.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	Similarly to the internal audit function, the Audit Committee evaluates at least annually, the external audit function, their independence as well as non-audit fees, the outcome of which is reported to the Board and shareholders in the Integrated Annual Report.
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	✓	The Audit Committee reports to the Board and to shareholders at the Annual General Meeting on the discharge of its functions as well as in the Integrated Annual Report.
THE GOVERNANCE OF RISK			
4.1	The Board should be responsible for the governance of risk	✓	The Board is the ultimate custodian of risk governance.
4.2	The Board should determine the levels of risk tolerance	✓	The Risk Committee makes recommendations to the Board regarding levels of risk tolerance and appetite and requires management to ensure that risks are managed within the approved levels.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	✓	The Risk Committee and, wherever necessary, the Audit Committee assist the Board in carrying out risk responsibilities.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	The Board has delegated to management the responsibility to design, implement and monitor the enterprise risk management framework. A risk management guideline and framework setting out the process has been approved by the Board and implemented by management. This is reviewed annually.
4.5	The Board should ensure that risk assessments are performed on a continual basis	✓	Risk assessments are performed on a quarterly basis.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	The Board has approved the enterprise risk management framework and the Audit and Risk Committees monitor and interrogate the quality of the identified risks at the quarterly meetings.
4.7	The Board should ensure that management considers and implements appropriate risk responses	✓	The Board reviews management's risk responses and suggests changes when considered appropriate.
4.8	The Board should ensure continual risk monitoring by management	✓	The Audit and Risk Committees ensure that management monitors and addresses issues related to risk and reports regularly to the Board.

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4.9	The Board should receive assurance regarding the effectiveness of the risk management process	✓	The risk management function has set in place a risk management framework of what the operating groups and their risk officers and risk champions should adhere to. Internal audit carries out individual audits as per their audit plan and quarterly reports to the Risk Committee on the adherence to the framework.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓	Reports on AfroCentric Investment Corporation's risk management process and the key strategic risks facing the Group, are included in the Integrated Annual Report.
THE GOVERNANCE OF INFORMATION TECHNOLOGY			
5.1	The Board should be responsible for information technology ("IT") governance	✓	The Board recognises that IT governance should form part of the Company strategy. The Group has engaged in various projects to ensure that IT complies with IT governance. The Board has assigned responsibility for IT governance to the Risk Committee.
5.2	IT should be aligned with the performance and sustainability objectives of the Company	✓	The IT strategy is directed by the Helios IT Solutions Board that represents the various divisions of the Company.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	✓	The Board has delegated responsibility for the IT governance framework to the Managing Director of Helios IT Solutions. The IT governance policy was approved by the Board.
5.4	The Board should monitor and evaluate significant IT investments and expenditure	✓	IT Investment is managed through the Group Investment Committee and the Helios IT Solutions Board.
5.5	IT should form an integral part of the Company's risk management	✓	IT risk management is incorporated in the overall Company risk management framework, overseen by Helios Enterprise Risk Committee and the Risk Committee.
5.6	The Board should ensure that information assets are managed effectively	✓	Information asset risk management is an integral part of the risk management process and where key risks are identified the necessary assurance levels are obtained and key risks managed and reported to Executives and Directors through the various Committees and subsidiary Board and ultimately to the main Board. The Helios IT Solutions Board oversees the effective management of all IT projects and assets.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	✓	IT is a standard agenda item on the Risk Committee's agenda. Where necessary, matters are referred to the Board or another Board Sub-committee for consideration.
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	✓	AfroCentric is committed to conducting its business in compliance with all applicable laws and regulations and with honesty in its dealings with stakeholders. In pursuit of that goal, AfroCentric maintains effective compliance programmes. A compliance officer oversees legal compliance across the Group.

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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	✓	AfroCentric has a formal induction policy. This provides for new Directors to visit key sites, meet with Group management and to be provided with copies of relevant documentation, including the Charters of the Board and its Committees, minutes of recent meetings, Company policies and recent annual reports.
6.3	Compliance risk should form an integral part of the Company's risk management process	✓	Compliance risk management is integrated into the Group enterprise risk management framework. Non-compliance to applicable and material laws, rules, codes and standards is reported to the Audit as well as to the Risk Board Sub-committees.
6.4	The Board should delegate to management the implementation of an effective compliance framework and process	✓	A compliance policy is in place and the applicable Group legislative and regulatory universe has been determined.
INTERNAL AUDIT			
7.1	The Board should ensure that there is an effective risk-based internal audit	✓	The Board through the Audit Committee approves the internal audit Charter and audit plan and further evaluates the internal audit function's performance.
7.2	Internal review should follow a risk-based approach to its plan	✓	Internal audit follows a risk-based approach in accordance with the internal audit Charter.
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 audit function evaluates the adequacy and effectiveness of risk management, system of internal control and governance processes in terms of the approved internal audit plan. Control weaknesses identified by internal audit are brought to the attention of management and the Audit and Risk Committees in written reports.
7.4	The Audit Committee should be responsible for overseeing internal audit	✓	The internal audit plan is approved annually by the Audit Committee. The Audit Committee continually monitors internal audit's performance.
7.5	Internal audit should be strategically positioned to achieve its objectives	✓	The GM internal audit reports functionally to the Chairperson of the Audit Committee and administratively to the Executive Director: Legal, Governance, Risk and Compliance.
GOVERNING STAKEHOLDER RELATIONSHIPS			
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	✓	There is a plan on stakeholder engagement and the Board understands the impact that stakeholder engagements have on the business and its reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships	✓	The Board has delegated to management to proactively deal with stakeholder groupings and to provide feedback where necessary.
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 considers the balance of engagement with each stakeholder grouping and endeavours to achieve a climate of respect with constructive debate.

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8.4	Companies should ensure equitable treatment of shareholders	✓	<p>The Board and management are mindful of the treatment of all shareholders and in keeping with the JSE Listings Requirements endeavour not to place any shareholder's interests above another. The Group fully complies with the JSE Listings Requirements on disclosure of information to shareholders. A detailed security dealing and information policy is being updated which will set out strict rules on material price-sensitive information and its disclosure. Any material price-sensitive information and other relevant information is published on SENS in accordance with the Listings Requirements.</p> <p>All queries from shareholders are handled by the CEO, CFO and Group Company Secretary and only information available in the public domain is disclosed.</p>
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	AfroCentric's guiding principles behind stakeholder engagement include equality, transparency, effectiveness, balance, and accurate and relevant information.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓	The Board is informed of material issues and disputes and provides input to enable resolution as effectively, efficiently and expeditiously as possible.
INTEGRATED REPORTING AND DISCLOSURE			
9.1	The Board should ensure the integrity of the Company's Integrated Annual Report	✓	The Integrated Annual Report of the Company is tabled at the Audit Committee for approval on behalf of the Board prior to being published.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	✓	Sustainability reporting and disclosure is being integrated with the Company's financial reporting in a progressive manner.
9.3	Sustainability reporting and disclosure should be independently assured	✗	AfroCentric uses an assurance roadmap for independent assurance of sustainability reporting. Management has elected not to seek formal assurance on the Integrated Annual Report at this stage. This may be considered in subsequent years.