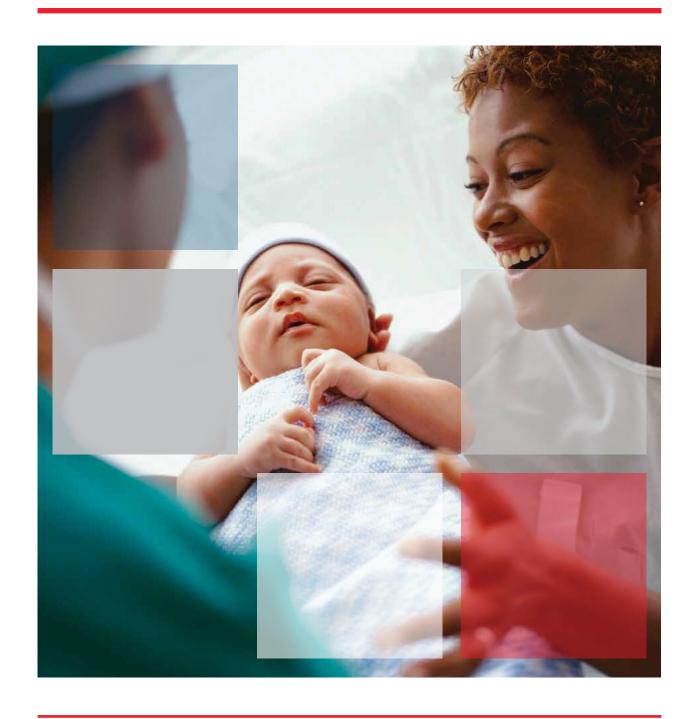


KING III COMPLIANCE SUPPLEMENTARY REPORT 2016





Chapter and principle		Status		
Chapter 1 – Ethical leadership and corporate citizenship				
1.1	The board should provide effective leadership based on an ethical foundation.	Applied	This forms part of the board's mandate and is contained in the board's terms of reference.	
1.2	The board should ensure that the Company is seen to be a responsible corporate citizen.	Applied	The integrated report contains information on the Group's financial, economic, social and environmental performance.	
1.3	The board should ensure that the Company's ethics are managed effectively.	Applied	The Group social, ethics and transformation committee monitors the implementation of the code of ethics. Internal audit conducted an ethics audit in the 2016 FY and a green rating was achieved.	
Chap	oter 2 - Board and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.	Applied	The board's terms of reference clearly sets out its responsibilities and there is a delegation of authority in place.	
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	A dedicated session to review the Group's strategy takes place annually. The integration of strategy, risk and sustainability is clearly demonstrated in the integrated report.	
2.3	The board should provide effective leadership based on an ethical foundation.	Applied	As set out in the comment to principle 1.1.	
2.4	The board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	As set out in the comment to principle 1.2.	
2.5	The board should ensure that the Company's ethics are managed effectively.	Applied	As set out in the comment to principle 1.3.	
2.6	The board should ensure that the Company has an effective and independent audit committee.	Applied	As set out in the comments to chapter 3.	
2.7	The board should be responsible for the governance of risk.	Applied	As set out in the comments to chapter 4.	
2.8	The board should be responsible for information technology (IT) governance.	Applied	As set out in the comments to chapter 5.	
2.9	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	This forms part of the mandate of the social, ethics and transformation committee as well as the audit and risk committees.	
2.10	The board should ensure that there is an effective risk-based internal audit.	Applied	As set out in comments to chapter 3.	
2.11	The board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	As set out in comments to chapter 8.	
2.12	The board should ensure the integrity of the Company's integrated report.	Applied	As set out in comments to chapter 3 and 9.	
2.13	The board should report on the effectiveness of the Company's system of internal controls.	Applied	As set out in comments to chapter 3.	

Chapte	er and principle	Status	
	ne board and its directors should act in the best serests of the Company.	Applied	The board's collective experience and expertise enables it to fulfil its duties and responsibilities.
pro	ne board should consider business rescue occeedings or other turnaround mechanisms as on as the Company is financially distressed as fined in the Act.	Applied	The board through the audit committee assesses the Group's going concern status annually.
wh Th	ne board should elect a chairman of the board no is an independent non-executive director. ne CEO of the Company should not also fulfill e role of chairman of the board.	Partially applied	The chairman is not an independent non-executive director. A lead independent non-executive director has been appointed. The roles of the CEO and chairman are separate.
	ne board should appoint the CEO and establish framework for the delegation of authority.	Applied	There is a clear delegation of authority in place.
wit ma	ne board should comprise a balance of power, th a majority of non-executive directors. The ajority of non-executive directors should be dependent.	Applied	The board comprises two executive directors, eight independent non-executive directors and one non-executive director.
	rectors should be appointed through a rmal process.	Applied	There is a policy in place and directors are appointed in terms of the policy.
de	ne induction and ongoing training and evelopment of directors should be conducted rough formal processes.	Applied	Induction takes place on appointment and ongoing director education takes place.
sui	ne board should be assisted by a competent, itably qualified and experienced company cretary.	Applied	The board assesses the competence and qualifications of the company secretary annually.
the	ne evaluation of the board, its committees and e individual directors should be performed ery year.	Applied	This is done annually and disclosed in the integrated report.
WE	ne board should delegate certain functions to ell-structured committees but without abdicating own responsibilities.	Applied	There are six board committees in place and each committee has specific terms of reference.
	governance framework should be agreed stween the Group and its subsidiary boards.	Applied	The delegation of authority document sets out the levels of authority.
	ompanies should remunerate directors and ecutives fairly and responsibly.	Applied	The Company's remuneration policy details the various aspects of remuneration.
	ompanies should disclose the remuneration of ach individual director and prescribed officer.	Applied	This is disclosed in the remuneration policy and in the annual financial statements.
	nareholders should approve the Company's muneration policy.	Applied	The Company's remuneration policy is tabled at the annual general meeting for shareholder approval.



Cha	Chapter and principle		Status		
Chap	oter 3 – Audit committees				
3.1	The board should ensure that the Company has an effective and independent audit committee.	Applied	The four members of the audit committee are all independent non-executive directors.		
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	The members of the audit committee are all suitably skilled and experienced.		
3.3	The audit committee should be chaired by an independent non-executive director.	Applied	The committee is chaired by PJ Golesworthy, an independent non-executive director.		
3.4	The audit committee should oversee integrated reporting.	Applied	This forms part of the committee's terms of reference.		
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	This forms part of the committee's terms of reference.		
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The committee assesses this on an annual basis.		
3.7	The audit committee should be responsible for overseeing of internal audit.	Applied	This forms part of the committee's terms of reference.		
3.8	The audit committee should be an integral component of the risk management process.	Applied	This forms part of the committee's terms of reference. The chairman of the risk committee attends meetings of the audit committee. A member of the audit committee is also a member of the risk committee.		
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	This forms part of the committee's terms of reference.		
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	Applied	The report of the Group audit committee is included in the annual financial statements.		
Chap	oter 4 - The governance of risk				
4.1	The board should be responsible for the governance of risk.	Applied	The risk committee is a board committee and the terms of reference of the committee is approved by the board.		
4.2	The board should determine the levels of risk tolerance.	Applied	The board has delegated this to the risk committee which determines the risk appetite in line with strategy.		
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied	As set out in the comment to principle 4.1.		
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Group has a Group risk manager in place who assists the risk committee to fulfil its mandate.		
4.5	The board should ensure that risk assessments are performed on a continual basis.	Applied	Risk assessments are conducted annually.		
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The key issues control log are presented to both the risk and the audit committees.		

Cha	pter and principle	Status	
4.7	The board should ensure that management considers and implements appropriate risk responses.	Applied	Updates are presented to the risk committee and the board consisting of risk mitigation.
4.8	The board should ensure continual risk monitoring by management.	Applied	Reports of the key risks are presented to the risk committee.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	Applied	The Group relies on the attestations from the Group risk manager and internal audit.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	This forms part of the reports presented to the risk committee. A comprehensive risk disclosure is included in the integrated report.
Cha	pter 5 – The governance of IT		
5.1	The board should be responsible for IT governance.	Applied	IT governance is a standing item on the board agenda.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Significant IT investments and expenditure are presented to the board for approval.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	Management has implemented an IT governance framework in line with the delegation of authority.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	Applied	As set out in the comment to principle 5.2.
5.5	IT should form an integral part of the Company's risk management.	Applied	Significant IT projects are included in the Group risk manager's report to the risk committee. The CIO also provides regular reports to the risk committee.
5.6	The board should ensure that information assets are managed effectively.	Applied	The CIO provides regular reports to the board covering information management.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities (note 7).	Applied	The audit committee oversees IT risk as it relates to financial reporting. The risk committee oversees the implementation of IT processes and governance mechanisms.
Cha	pter 6 – Compliance with laws, rules, codes and s	tandards	
6.1	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	As set out in the comments to principle 2.9.
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.	Applied	Presentations are made to the board as well as to the social, ethics and transformation committee on regulatory issues.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	The risk management department and Group Legal collaborate in the identification of compliance risks.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Applied	Management monitors compliance of key legislation applicable to the hospital industry through the Group's legal department and the Health Policy executive. Compliance is also embedded in the Group's quality management system.



Cha	pter and principle	Status		
Chapter 7 – Internal audit				
7.1	The board should ensure that there is an effective risk-based internal audit.	Applied	This is included in the audit committee's mandate.	
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The Group's internal audit follows a risk-based approach to its planning.	
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Applied	This forms part of the Group's internal audit annual report to the audit committee.	
7.4	The audit committees should be responsible for overseeing internal audit.	Applied	This forms part of the audit committee's mandate.	
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The internal audit function reports to and obtains its mandate from the Group's audit committee.	
Cha	pter 8 – Governing stakeholder relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The board has the management of relationships with stakeholders as part of its responsibilities and has approved a stakeholder framework.	
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Applied	Individual business units deal with stakeholders' activities as it pertains to each unit.	
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The board considers reports from management dealing with various stakeholder issues.	
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	Voting at the Company's AGM is done by way of ballot. The Company adheres to the Insider Trading and price sensitive information policies it has in place.	
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The chairman of the Group's audit, remuneration and human resources committee and the social, ethics and transformation committee are available at the AGM to respond to questions from shareholders. Relevant disclosures are made on the Stock Exchange News Service in accordance with the JSE Listings Requirements.	
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	There is an effective complaints management process in place.	
Cha	pter 9 – Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the Company's integrated report.	Applied	The board has delegated this to the Group's audit committee.	
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In the integrated report, sustainability disclosure is integrated with financial disclosure.	
9.3	Sustainability reporting and disclosures should be independently assured.	Explained	The board is of the view that as the sustainability measures and targets are still being developed. It would be premature to have these independently assured. For 2016 FY, PwC provided limited assurance on selected sustainability information.	