

KING III GAP ANALYSIS

The JSE Listings Requirements require all JSE-listed companies to provide a narrative on how it has applied the recommendations contained in King III. Below is the King III gap analysis. RMI has complied with the King III principles for the full financial year ended 30 June 2016 , unless otherwise indicated.

Principle	Description	Status	Explanation
1	Ethical leadership and corporate citizenship		
1.1	The board should provide effective leadership on an ethical foundation.	✓	
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	
1.3	The board should ensure that the company's ethics are managed effectively.	✓	
2	Board and directors		
2.1	The board should act as a focal point for and custodian of corporate governance.	✓	
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	
2.3	The board should provide effective leadership based on an ethical foundation.	✓	
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	
2.5	The board should ensure that the company's ethics are managed effectively.	✓	
2.6	The board should ensure that the company has an effective and independent audit committee.	✓	
2.7	The board should be responsible for the governance of risk.	✓	
2.8	The board should be responsible for technology governance.	✓	
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	
2.10	The board should ensure that there is an effective risk-based internal audit.	✓	
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	

Principle	Description	Status	Explanation
2.12	The board should ensure the integrity of the company's integrated report.	✓	
2.13	The board should report on the effectiveness of the company's internal controls.	✓	
2.14	The board and its directors should act in the best interests of the company.	✓	
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 Companies Act.	✓	
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.	X	RMI's chairman is a non-executive director, but is not independent. A lead independent, non-executive director was therefore appointed.
2.17	The board should appoint the chief executive and establish a framework for the delegation of authority.	✓	
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.	✓	
2.19	Directors should be appointed through a formal process.	✓	
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	✓	
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	✓	
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	
2.24	A governance framework should be agreed between the group and its subsidiary boards.	✓	
2.25	Companies should remunerate directors and executives fairly and responsibly.	✓	

Principle	Description	Status	Explanation
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	X	The individual directors' remuneration is disclosed, but not the salaries of the three highest earners who are not directors. The remuneration packages of the joint chief executives of OUTsurance have been disclosed as they are viewed as prescribed officers of the RMI group. RMI believes that this disclosure is sufficient and appropriately demonstrates alignment between remuneration and shareholders' return.
2.27	Shareholders should approve the company's remuneration policy.	✓	
3	Audit committee		
3.1	The board should ensure that the company has an effective and independent non-executive audit committee.	✓	
3.2	Audit committee members should be suitably skilled, experienced and independent, non-executive directors.	✓	
3.3	The audit committee should be chaired by an independent, non-executive director.	✓	
3.4	The audit committee should oversee integrated reporting.	✓	
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	✓	
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	✓	
3.7	The audit committee should oversee the internal audit function.	✓	
3.8	The audit committee should be an integral component 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.	✓	
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	✓	

Principle	Description	Status	Explanation
4	The governance of risk		
4.1	The board should be responsible for the governance of risk.	✓	
4.2	The board should determine the levels of risk tolerance.	✓	
4.3	The risk or audit committee should assist the board in carrying out its risk responsibilities.	✓	
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	
4.5	The board should ensure that risk assessments are performed on a continual basis.	✓	
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	
4.7	The board should ensure that management considers and implements appropriate risk responses.	✓	
4.8	The board should ensure continual risk monitoring by management.	✓	
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	✓	
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	
5	The governance of information technology		
5.1	The board should be responsible for information technology governance.	✓	
5.2	IT should be aligned with the performance and sustainability objectives of the company.	✓	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	
5.4	The board should monitor and evaluate significant IT investments and expenditure.	✓	
5.5	IT should form an integral part of the company's risk management.	✓	

Principle	Description	Status	Explanation
5.6	The board should ensure that information assets are managed effectively.	✓	
5.7	An audit and risk committee should assist the board in carrying out its IT responsibilities.	✓	
6	Compliance with laws, rules, codes 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.	✓	
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.	✓	
6.3	Compliance risk should form an integral part of the company's risk management process.	✓	
6.4	The board should delegate to management the implementation of an effective compliance framework and process.	✓	
7	Internal audit		
7.1	The board should ensure that there is an effective risk-based internal audit function.	✓	
7.2	Internal audit should follow a risk-based approach in its plan.	✓	
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	✓	
7.4	The audit committee should be responsible for overseeing internal audit.	✓	
7.5	Internal audit should be strategically positioned to achieve its objectives.	✓	

Principle	Description	Status	Explanation
8	Governing stakeholder relationships		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	✓	
8.2	The board should delegate to management to proactively deal with 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.	✓	
8.4	Companies should ensure the equitable treatment of shareholders.	✓	
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	
9	Integrated reporting and disclosure		
9.1	The board should ensure the integrity of the company's integrated report.	✓	
9.2	Sustainability reporting and disclosures should be integrated with the company's financial reporting.	✓	
9.3	Sustainability reporting and disclosure should be independently assured.	✓	