

NIVEUS

INVESTMENTS LIMITED

APPLICATION OF KING III PRINCIPLES 2014

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
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 determining the group's strategic direction within the context of the group's ethics policy.	<ul style="list-style-type: none"> Chairman and chief executive officer's report on pages 13 to 15 Corporate governance report on page 17 Social and ethics committee report on page 29
1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	The social and ethics committee ensures that the group formulates collaborative responses to sustainability challenges.	<ul style="list-style-type: none"> Social and ethics committee report on page 29
1.3 The board should ensure that the company's ethics are managed effectively	The ethics of the group is managed through the directors' code of conduct, the ethics policy and the ethics risks that are included for consideration by the audit and risk committee and internal audit.	<ul style="list-style-type: none"> Corporate governance report on page 17 Audit and risk committee report on page 23 Social and ethics committee report on page 29
Chapter 2 – Board and directors		
2.1 The board should act as the focal point for and custodian of corporate governance	The board has a charter setting out its role, powers and responsibilities both in terms of the latest governance developments as well as the requirements.	<ul style="list-style-type: none"> Corporate governance report on page 20
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	The board appreciates that strategy, risk, performance and sustainability are inseparable and this is evident in the integrated annual report.	<ul style="list-style-type: none"> Integrated annual report
2.3 The board should provide effective leadership based on an ethical foundation	The board is responsible for corporate governance and determining the group's strategic direction within the context of the group's ethics policy.	<ul style="list-style-type: none"> The values are discussed in the integrated annual report and these are led by the board
2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen	The social and ethics committee ensures that the group formulates collaborative responses to sustainability challenges.	<ul style="list-style-type: none"> Social and ethics committee report on page 29
2.5 The board should ensure that the company's ethics are managed effectively	The ethics of the group is managed through the directors' code of conduct, the ethics policy and the ethics risks that are included for consideration by the audit and risk committee and internal audit.	<ul style="list-style-type: none"> Corporate governance report on page 17 Audit and risk committee report on page 23 Social and ethics committee report on page 29
2.6 The board should ensure that the company has an effective and independent audit committee	An effective and independent audit and risk committee is in place. The committee's terms of reference outline the roles, powers, responsibilities and membership of the committee.	<ul style="list-style-type: none"> Corporate governance report on page 19 Audit and risk committee report on page 23
2.7 The board should be responsible for the governance of risk	The audit and risk committee assists the board in executing its responsibility in terms of the governance of risk. The committee's terms of reference outline the roles, membership and work plan of the committee. The chief audit executive reports directly to the audit and risk committee.	<ul style="list-style-type: none"> Corporate governance report on page 19 Audit and risk committee report on page 23 Governance of risk on page 18
2.8 The board should be responsible for information technology (IT) governance	IT risk is considered and addressed by the audit and risk committee. It is considered in the preparation of risk reports and by the chief audit executive and the internal audit team.	<ul style="list-style-type: none"> Governance of risk on page 18 Audit and risk committee report on page 24
2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The audit and risk committee assists the board in ensuring that a relevant compliance framework is maintained and that applicable laws and regulations are complied with.	<ul style="list-style-type: none"> Governance of risk on page 18 Audit and risk committee report on page 23
2.10 The board should ensure that there is an effective risk-based internal audit	An effective risk-based internal audit function is in place.	<ul style="list-style-type: none"> Audit and risk committee report on page 24 Governance of risk on page 18
2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	This is managed by including consideration of reputational risk in the risk management process.	<ul style="list-style-type: none"> The preparation of an integrated annual report is evidence of the board's commitment to manage stakeholder perceptions Governance of risk on page 18

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 2 – Board and directors (continued)		
2.12 The board should ensure the integrity of the company's integrated annual report	The board, assisted by the audit and risk committee assumes responsibility for the integrated annual report and ensures that the report fairly represents the performance of the group.	<ul style="list-style-type: none"> • Audit and risk committee report on page 25 • Approval of annual financial statements on page 54
2.13 The board should report on the effectiveness of the company's system of internal controls	The board obtains assurance and reports on the effectiveness of the group's systems of internal control from the audit and risk committee.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on page 24
2.14 The board and its directors should act in the best interests of the company	The board acts in the best interest of the group by ensuring that individual directors act in line with the directors' code of conduct.	<ul style="list-style-type: none"> • Corporate governance report on page 17
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 board is apprised of the group's going concern status at the interim and full-year meetings. The board monitors the solvency and liquidity of the company on a regular basis.	<ul style="list-style-type: none"> • Directors' report on page 57
2.16 The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer (CEO) of the company should not also fulfil the role of chairman of the board	The chairman is elected by the board on an annual basis. The current chairman is not independent, therefore a lead independent director has been appointed to act as chairman where the independence of the chairman may be compromised.	<ul style="list-style-type: none"> • Corporate governance report on page 21
2.17 The board should appoint the CEO and establish a framework for the delegation of authority	The board appointed the CEO and provides input into senior management appointments. The role and function of the CEO are formalised and the board evaluates the performance of the CEO annually.	<ul style="list-style-type: none"> • Corporate governance report on page 20
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of the non-executive directors should be independent	The majority of board members are non-executive directors of whom a majority are independent. Directors are appointed through a formal process and the knowledge, skills and resources required by the board are considered.	<ul style="list-style-type: none"> • Board of directors on page 9 • Corporate governance report on page 20
2.19 Directors should be appointed through a formal process	Directors are appointed through a formal process, with the remuneration committee assisting with the process of identifying suitable candidates, subject to shareholder approval.	<ul style="list-style-type: none"> • Corporate governance report on page 20
2.20 The induction and ongoing training and development of directors should be conducted through formal processes	An informal induction programme is in place whereby new board members are introduced to executive management and to group policies and procedures. Where required, the secretary facilitates induction and training for directors and coordinates the annual board evaluation process.	<ul style="list-style-type: none"> • Corporate governance report on pages 20 and 22
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	The role and function of the company secretary are as defined in the Companies Act. The board satisfied itself that the company secretary is suitably qualified and independent.	<ul style="list-style-type: none"> • Corporate governance report on page 21
2.22 The evaluation of the board, its committees and the individual directors should be performed every year	The board is evaluated on an annual basis by the remuneration committee, on both an individual and a collective basis. The board also evaluates the performance and effectiveness of board subcommittees.	<ul style="list-style-type: none"> • Corporate governance report on page 21
2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	<p>The following committees are in place:</p> <ul style="list-style-type: none"> • Audit and risk • Remuneration • Social and ethics <p>Formal terms of reference are in place and reviewed annually, setting out the roles, powers and responsibilities of each committee.</p> <p>The committee chairpersons report back to the board after every meeting.</p> <p>The audit and risk committee comprises three independent non-executive directors as required in terms of the Companies Act. The terms of reference for the audit and risk committee provide for all the statutory functions of the committee.</p>	<ul style="list-style-type: none"> • Corporate governance report on page 19

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 2 – Board and directors (continued)		
2.24 A governance framework should be agreed between the group and its subsidiary boards	All subsidiaries apply the policies and procedures of the holding company.	<ul style="list-style-type: none"> Referenced in roles and responsibilities of each subcommittee
2.25 Companies should remunerate directors and executives fairly and responsibly	The remuneration committee is primarily responsible for overseeing the remuneration and incentives of the executive management of the group. It takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.	<ul style="list-style-type: none"> Remuneration report on page 26 Corporate governance report on page 19
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	The disclosure of director remuneration meets the requirements of the Companies Act.	<ul style="list-style-type: none"> Remuneration report on page 27 Annual financial statements on the website www.niveus.co.za
2.27 Shareholders should approve the company's remuneration policy	The company's remuneration policy is proposed to shareholders for a non-binding advisory vote at the annual general meeting (AGM) each year.	<ul style="list-style-type: none"> AGM notice on page 65
Chapter 3 – Audit committee		
3.1 The board should ensure that the company has an effective and independent audit committee	<p>The group has an audit and risk committee comprising three independent non-executive directors who were nominated by the remuneration committee and elected at the AGM by shareholders.</p> <p>The audit and risk committee has clear terms of reference, approved by the board, which informs the audit and risk committee of its agenda and work plan.</p> <p>During the 2014 financial year, three audit and risk committee meetings were held.</p> <p>The audit and risk committee meets at least once a year with the internal and external auditors, without management being present.</p>	<ul style="list-style-type: none"> Corporate governance report on page 19 Audit and risk report on page 23 AGM notice on page 68
3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	The audit and risk committee is regularly evaluated by the remuneration committee and the board and collectively has a good understanding of integrated reporting, internal financial controls, internal and external audit process, corporate law, risk management, sustainability issues, IT governance and the governance processes within the group.	<ul style="list-style-type: none"> Board of directors on page 9 Corporate governance report on page 20 Audit and risk committee report on page 23
3.3 The audit committee should be chaired by an independent non-executive director	The audit and risk committee is chaired by an independent non-executive director, namely Khutso Mampeule.	<ul style="list-style-type: none"> Board of directors on page 9 Audit and risk committee report on page 23
3.4 The audit committee should oversee integrated reporting	<p>The group produces an integrated annual report that conveys adequate information about the social, economic and environmental impact of the group on the environment in which it operates.</p> <p>The audit and risk committee oversees the integrity of the integrated annual report.</p>	<ul style="list-style-type: none"> Audit and risk committee report on page 25
3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	<p>The audit and risk committee reviews the combined assurance framework annually to be satisfied that significant risks are addressed within the group.</p> <p>The framework considers assurances provided by internal audit, external audit and specialist agencies.</p>	<ul style="list-style-type: none"> About the integrated annual report on page 3 Corporate governance report on page 18
3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The audit and risk committee annually reviews the appropriateness of the expertise and adequacy of the resources of the finance function and the financial director.	<ul style="list-style-type: none"> Audit and risk committee report on page 25
3.7 The audit committee should be responsible for overseeing internal audit	<p>The group has an internal audit function that is independent and has the necessary resources, budget, standing and authority in the group to discharge its functions.</p> <p>The audit and risk committee is responsible for the appointment, performance management and dismissal of the head of internal audit, namely the chief audit executive.</p> <p>The committee approves the internal audit plan and encourages cooperation between all assurance providers.</p> <p>The committee also ensures that the function is adequately resourced to perform its duties.</p> <p>The committee ensures that the internal audit function is subjected to a quality review on a regular basis.</p>	<ul style="list-style-type: none"> Audit and risk committee report on page 24 Governance of risk on page 18

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 3 – Audit committee (continued)		
3.8 The audit committee should be an integral part of the risk management process	The board has assigned responsibility for a risk management process to the audit and risk committee. Through this risk management function the audit and risk committee satisfies itself that the most significant risks in the group have been addressed by means of risk registers for gaming and for KWV.	<ul style="list-style-type: none"> • Corporate governance report on page 19 • Governance of risk on page 18 • Audit and risk committee report on page 24
3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The audit and risk committee recommends to shareholders the appointment, reappointment and removal of the external auditor based on an assessment of the firm and the individual's qualifications, experience, resources, effectiveness and independence. These attributes are assessed on an annual basis.	<ul style="list-style-type: none"> • Audit and risk committee report on page 24 • AGM notice on page 67
3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	The audit and risk committee reports to shareholders at the AGM on how it has discharged its duties, and a written report is included in the integrated annual report and annual financial statements.	<ul style="list-style-type: none"> • Audit and risk committee report on page 23 • Annual financial statements on the website www.niveus.co.za
Chapter 4 – The governance of risk		
4.1 The board should be responsible for the governance of risk	The board takes responsibility for the governance of risk within the group. A risk governance policy was approved by the board and has been implemented by management. The audit and risk committee regularly reviews the group risk assessment and satisfies itself that the responses and mitigations are adequate.	<ul style="list-style-type: none"> • Corporate governance report on page 19 • Governance of risk on page 18 • Audit and risk committee report on page 24
4.2 The board should determine the levels of risk tolerance	Risk registers, which are reviewed by the audit and risk committee at each meeting, allocate a rating to material issues based on the likelihood and impact of each risk.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	The audit and risk committee is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure is comprehensive, timely and relevant. These activities are included in the committee's terms of reference and work plan.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on page 24
4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Risk registers are prepared by management which include allocating a risk rating as well as mitigating controls for each risk.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.5 The board should ensure that risk assessments are performed on a continual basis	Niveus manages risk in the group by means of risk registers for the gaming division and for KWV. While risks are considered at every audit and risk committee meeting and reported to the board when appropriate, formal risk registers are only updated annually. The risk registers monitor emerging and existing risks according to likelihood and impact, and also report on mitigating controls implemented to prevent the occurrence of incidents. The risk registers are considered by the internal audit team in the planning of internal audit procedures.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Niveus manages risk in the group by means of risk registers for the gaming division and for KWV. While risks are considered at every audit and risk committee meeting and reported to the board when appropriate, formal risk registers are only updated annually. The risk registers monitor emerging and existing risks according to likelihood and impact, and also report on mitigating controls implemented to prevent the occurrence of incidents. The risk registers are considered by the internal audit team in the planning of internal audit procedures.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.7 The board should ensure that management considers and implements appropriate risk responses	The risk registers indicate mitigating controls implemented to prevent the occurrence of incidents. The risk registers are considered by the internal audit function.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.8 The board should ensure continual risk monitoring by management	The risk registers indicate mitigating controls implemented to prevent the occurrence of incidents. The risk registers are considered by the internal audit function.	<ul style="list-style-type: none"> • Governance of risk on page 18 • Audit and risk committee report on page 24
4.9 The board should receive assurance regarding the effectiveness of the risk management process	Regular reports are provided to the audit and risk committee and internal audit performs an annual review of the effectiveness of the system of internal controls and risk management.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on page 24

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 4 – The governance of risk (continued)		
4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	The chairman of the board and the chairman of the audit and risk committee attend the AGM and will address any issues that are raised.	<ul style="list-style-type: none"> • AGM notice on page 65
Chapter 5 – The governance of information technology		
5.1 The board should be responsible for information technology (IT) governance	The board is responsible for IT governance, understands the importance of IT in achieving its strategic objectives and has IT governance on the board agenda. IT risks are considered by the audit and risk committee and form part of management's accountability in preparing the risk registers.	<ul style="list-style-type: none"> • Corporate governance report on page 19 • Governance of risk on page 18 • Audit and risk committee report on page 23
5.2 IT should be aligned with the performance and sustainability objectives of the company	The IT strategy is integrated with the group's strategic and business processes.	<ul style="list-style-type: none"> • Corporate governance report on page 19
5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework	The board recognises the importance, relevance and risks in IT and has delegated the management thereof to executive management. The audit and risk committee ensures that appropriate compliance structures are in place.	<ul style="list-style-type: none"> • Corporate governance report on page 19
5.4 The board should monitor and evaluate significant IT investments and expenditure	The board approves the annual capex budget and significant investments which include investments in IT infrastructure.	<ul style="list-style-type: none"> • Annual financial statements on the website www.niveus.co.za
5.5 IT should form an integral part of the company's risk management	IT risks are considered by the audit and risk committee and form part of management's accountability in preparing the risk registers.	<ul style="list-style-type: none"> • Corporate governance report on page 19
5.6 The board should ensure that information assets are managed effectively	Risks and controls regarding safeguarding of information assets are considered by the audit and risk committee and addressed through its risk management procedures.	<ul style="list-style-type: none"> • Corporate governance report on page 19
5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	The risk and audit committee assists the board in carrying out its IT responsibilities through the risk registers procedure and format.	<ul style="list-style-type: none"> • Corporate governance report on page 19 • Governance of risk on page 18 • Audit and risk committee report on page 24
Chapter 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	Legislative and regulatory compliance is monitored by the audit and risk committee through its review of the risk registers, and is considered by internal audit when internal audit procedures are developed.	<ul style="list-style-type: none"> • Corporate governance report on page 19 • Governance of risk on page 18
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	Processes are in place to ensure that the board is continually informed of relevant laws, rules, codes and standards, including any changes. This forms part of the board induction and ongoing training programme.	<ul style="list-style-type: none"> • Corporate governance report on pages 20 and 21
6.3 Compliance risk should form an integral part of the company's risk management process	Compliance risk forms an integral part of the company's risk management process. Legislative and regulatory compliance is monitored by the audit and risk committee through the review of the risk registers.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on page 24
6.4 The board should delegate to management the implementation of an effective compliance framework and processes	The board has delegated the responsibility of implementation through the audit and risk committee.	<ul style="list-style-type: none"> • Corporate governance report on page 19

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 7 – Internal audit		
7.1 The board should ensure that there is an effective risk-based internal audit	The role of internal audit is outlined in the audit and risk committee terms of reference as well as in the internal audit charter. The annual audit plan is approved by the committee and addresses all the areas as recommended by King III.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on pages 23 and 24
7.2 Internal audit should follow a risk-based approach to its plan	Internal audit is independent from management and follows a risk-based audit plan by incorporation of the strategy and risks of the group. Internal audit reporting meets the needs and requirements of management and the audit and risk committee.	<ul style="list-style-type: none"> • Corporate governance report on page 18 • Audit and risk committee report on pages 23 and 24
7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Internal audit forms an integral part of the combined assurance model as the internal assurance provider providing an annual assessment to the audit and risk committee on the effectiveness of the internal controls and risk management.	<ul style="list-style-type: none"> • Audit and risk committee report on page 24
7.4 The audit committee should be responsible for overseeing internal audit	The internal audit responsibilities are outlined in the internal audit charter. The chief audit executive is appointed by the audit and risk committee and reports functionally to the audit and risk committee and administratively to the chief finance officer of the group. The chief audit executive attends all audit and risk committee meetings and provides the meetings with a written assessment of the effectiveness of the governance, risk and control environment.	<ul style="list-style-type: none"> • Audit and risk committee report on pages 23 and 24
7.5 Internal audit should be strategically positioned to achieve its objectives	The internal audit function is independent and objective and reports directly to the audit and risk committee. The audit and risk committee reviews the resources and skills of the function on an annual basis to ensure that it is adequate to address risks and assurance requirements.	<ul style="list-style-type: none"> • Audit and risk committee report on page 24
Chapter 8 – Governing stakeholder relationships		
8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	This is managed by including the consideration of reputational risk in the risk management process.	<ul style="list-style-type: none"> • The preparation of an integrated report is evidence of the board's commitment to managing stakeholder perceptions
8.2 The board should delegate to management to proactively deal with stakeholder relationships	The board has delegated the management of stakeholder relations to the executive management of the group. This is managed at various levels in the group.	<ul style="list-style-type: none"> • Corporate responsibility on page 31
8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	The group considers all its stakeholders in determining the value that it creates.	<ul style="list-style-type: none"> • Corporate responsibility on page 31
8.4 Companies should ensure the equitable treatment of shareholders	There is equitable treatment of all holders of the same class of shares issued, including minorities and between holders of different classes of shares.	<ul style="list-style-type: none"> • Summarised annual financial statements on page 52 • Corporate responsibility on page 31
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The group provides complete, timely, relevant, accurate, honest and accessible information to its stakeholders while having regard to legal and strategic considerations. No requests for information were withheld by the group in terms of the Promotion of Access to Information Act, 2000.	<ul style="list-style-type: none"> • Corporate governance report on page 22
8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Dispute resolution clauses are included in contracts to deal with external disputes. Internal dispute processes include the Human Resources grievance procedure.	<ul style="list-style-type: none"> • Corporate responsibility on pages 48 and 49

King III principle	Comments on application in 2014	Reference in the 2014 integrated annual report
Chapter 9 – Integrated reporting and disclosure		
9.1 The board should ensure the integrity of the company's integrated annual report	The board, assisted by the audit and risk committee, assumes responsibility for the integrated annual report and ensures that the report fairly represents the performance of the group.	<ul style="list-style-type: none"> • Audit and risk committee report on page 25 • Approval of annual financial statements on page 54
9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	The integrated annual report includes the group's summary of financial statements and commentary that allows the reader to contextualise the financial results by providing sufficient information on the key issues affecting the group, its stakeholders and the community it operates in.	<ul style="list-style-type: none"> • Integrated annual report • Corporate responsibility on page 31
9.3 Sustainability reporting and disclosures should be independently assured	The audit and risk committee considered obtaining independent assurance of the sustainability information. Certain indicators have been selected for verification by accredited specialists, namely broad-based black economic empowerment and carbon emissions. Internal audit has assured selected sustainability indicators.	<ul style="list-style-type: none"> • About the integrated annual report on page 3