

Oakbay Resources and Energy Limited - King III Checklist

Chapter 1: Ethical leadership and corporate citizenship			
Principle 1.1:	The board should provide effective leadership based on an ethical foundation.	Will be applied	The responsibility for effective leadership based on an ethical foundation is recognised in the board charter. The board's performance in this respect will also be evaluated on an annual basis as part of the formal evaluation process.
Principle 1.2:	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Will be applied	The company has for an extended period of time taken its responsibility to all its stakeholders, including society, very seriously and will continue to do so. The establishment and duties of the social and ethics committee as required by the Companies Act will further support this approach.
Principle 1.3:	The board should ensure that the company's ethics are managed effectively.	Will be applied	A code of ethics and conduct has been adopted by the board. The responsibility to oversee performance against the principles as contained in the code will be the responsibility of the social and ethics committee on behalf of the board.
Chapter 2: Board and Directors			
Principle 2.2:	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Will be applied	The board will be expected to actively participate in informing the strategy of the company, ensuring appropriate alignment with the purpose and mandate of the company. The principle that strategy, risk, performance and sustainability are inseparable is recognised in the board charter.
Principle 2.3:	The board should provide effective leadership based on an ethical foundation.	Will be applied	Refer to Principle 1.1 above.
Principle 2.4:	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Will be applied	Refer to Principle 1.2 above.
Principle 2.5:	The board should ensure that the company's ethics are managed effectively.	Will be applied	Refer to Principle 1.3 above.
Principle 2.6:	The board should ensure that the company has an effective and independent audit committee.	Applied	An independent audit and risk committee has been established. The committee's terms of reference outline the roles, powers, responsibilities and membership. The committee is also chaired by a highly experienced independent non-executive director whose experience in this position is expected to support the effective operation of the committee.
Principle 2.7:	The board should be responsible for the governance of risk.	Applied	The audit and risk committee is expected to assist the board in executing its responsibility in terms of the governance of risk. The committee's terms of reference outline the responsibilities of the committee in respect of risk. The top risks of the company will also be considered at each quarterly board meeting.
Principle 2.8:	The board should be responsible for information technology (IT) governance.	Applied	The board charter requires the board to assume responsibility for IT governance. The board has delegated responsibility to the audit and risk committee for overseeing same on behalf of the board.

Principle 2.9:	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Will be applied	The audit and risk committee will assist the board in ensuring that a relevant compliance framework is maintained and that compliance to applicable laws and regulations are effectively monitoring.
Principle 2.10:	The board should ensure that there is an effective risk-based internal audit.	Not applied	The establishment of an internal audit function will be considered on a regular basis by the audit and risk committee with appropriate recommendations to the board. The committee will also be expected to continuously monitor potential risks introduced by the absence of such a function.
Principle 2.11:	The board should appreciate that stakeholders' perceptions affect the company's reputation.	Will be applied	The potential impact of stakeholders' perceptions on the reputation of the company is appreciated and highlighted in the board charter.
Principle 2.12:	The board should ensure the integrity of the company's integrated report.	Will be applied	The board will approve the integrated report of the company after satisfying itself with respect to the accuracy and integrity of the report, on recommendation from the audit and risk committee.
Principle 2.13:	The board should report on the effectiveness of the company's system of internal controls.	In process	The board's opinion on the effectiveness of the system of internal controls will be expressed in the directors' report forming part of the annual financial statements. This opinion will be based on a recommendation of the audit and risk committee that will be expected to review and satisfy itself with the adequacy of same.
Principle 2.14:	The board and its directors should act in the best interests of the company.	Applied	The board and individual directors have again been reminded of their fiduciary and other duties and responsibilities under the Companies Act and King III. Directors are required to exercise objective judgement. The board is expected to at all times act in the best interests of the company by ensuring that individual directors: <ul style="list-style-type: none"> • adhere to legal standards of conduct as set out in the Companies Act • exercise their fiduciary duties with the best interest of the company at heart • disclose real or perceived conflicts to the board and deal with them accordingly • deal in securities only in accordance with the policy adopted by the board.
Principle 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.	Will be applied	The board will specifically consider the company's going- concern status at its interim and full year meetings. The board will be expected to monitor the solvency and liquidity of the company on a regular basis. This should enable the board to consider business rescue should the company become financially distressed.
Principle 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.	Partially applied	The roles of CEO and chairman are separate. As recommended by the King Report, a lead independent director has been appointed in view of the chairman not being classified as an independent non-executive director.

Principle 2.17:	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The responsibility of the board to appoint a CEO, as and when required, has been acknowledged in the board charter. Executive management in the company will function in terms of an approved framework wherein the board defines its own levels of materiality and delegates functions of management appropriately.
Principle 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.	Applied	The majority of board members are non-executive directors, the majority of whom are independent. Directors are appointed through a formal process and the knowledge, skills and resources required by the board are considered.
Principle 2.19:	Directors should be appointed through a formal process.	Will be applied	Following the listing of the company, appointments to the board will be a matter for the consideration of the board as a whole and will be made in a formal and transparent manner with the assistance of the Nomination Committee, acting under the guidance of the lead independent director.
Principle 2.20:	The induction of and on-going training and development of directors should be conducted through formal processes.	Will be applied	The Nomination Committee will be responsible to ensure that new directors undergo an appropriate induction process and will recommend to the chairman of the board the need for board participation in continued education programs.
Principle 2.21:	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	A competent and experienced company secretary, who is not a director of the board, has been appointed. iThemba (represented by Annamarie van der Merwe) acts as company secretary for a number of listed entities and collectively have many years' experience in the company secretarial industry. iThemba is expected to act in an objective manner, based on an arm's length and professional relationship.
Principle 2.22:	The evaluation of the board, its committees and the individual directors should be performed every year.	Will be applied	The board charter requires the board to conduct annual evaluations of its performance against its roles and responsibilities, as well as that of individual directors. Each committee will be expected to evaluate its own performance and to report to the board periodically on the performance of the committees.
Principle 2.23:	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied	The following board and statutory committees are in place; Audit and Risk, Social, ethics and remuneration and Nominations All board and statutory committees operate under formal terms of reference, which are in place and will be reviewed annually, setting out the roles, powers and responsibilities of each committee. The committee chairmen will be given an opportunity to report back to the board after each meeting. The audit and risk committee comprises three independent non-executive directors as required in terms of the Companies Act.
Principle 2.24:	A governance framework should be agreed between the Company and its subsidiary boards.	Will be applied	A governance framework for subsidiary companies will be implemented during the course of the financial year.

Principle 2.25:	Companies should remunerate directors and executives fairly and responsibly.	Will be applied	A remuneration committee has been established that will assist the board in ensuring the company's remuneration policy is aligned with its strategy and goals. The committee also reviews and approves remuneration of executive directors and senior management and proposes non-executive directors' fees. The remuneration philosophy will be tabled for a non-binding advisory vote of shareholders at the first annual general meeting following listing.
Principle 2.26:	Companies should disclose the remuneration of each individual director and certain senior executives.	Will be applied	The remuneration report of the company, in accordance with the requirements of the Companies Act, the listings requirements of the JSE Limited and King III will be included in the integrated report. The disclosure of director and prescribed officer remuneration will meet the requirements of the Companies Act as a minimum.
Principle 2.27:	Approval of the remuneration policy by shareholders	Will be applied	The remuneration policy will be tabled at the first annual general meeting following the listing of the company for an advisory, non-binding vote by shareholders.
Chapter 3: Audit Committee			
Principle 3.1:	The board should ensure that the company has an effective and independent audit committee.	Applied	The company has an audit and risk committee comprising three independent, non- executive directors appointed by shareholders. The committee has a clear terms of reference, approved by the board, which complies with Section 94 of the Companies Act and King III. The committee is chaired by an experienced independent non-executive director that should also support the effective operation of the committee.
Principle 3.2:	Audit committee members should be suitably skilled and experienced independent non- executive directors.	Applied	The members of the audit and risk committee all have relevant and appropriate experience to add value to the effective operation of the committee. All members are independent non-executive directors.
Principle 3.3:	The audit committee should be chaired by an independent non-executive director.	Applied	The audit and risk committee is chaired by an independent non-executive director.
Principle 3.4:	The audit committee should oversee integrated reporting.	Will be applied	The terms of reference of the audit and risk committee requires the committee to oversee, and take responsibility for the integrity of the integrated annual report.
Principle 3.5:	The audit committee should ensure that a combined assurance model is In process to provide a coordinated approach to all assurance activities.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that an appropriate combined assurance model, which addresses all the significant risks of the company, is implemented.
Principle 3.6:	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	Will be applied	The terms of reference of the audit and risk committee requires the committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function.

Principle 3.7:	The audit committee should be responsible for overseeing of internal audit.	Not applied	The company does not have an internal audit function and the audit and risk committee will be expected to consider the need for an internal audit function on a regular basis. In the absence of an internal audit function the audit and risk committee will pay particular attention to the potential risks posed by this and consider processes and procedures to mitigate against such risk.
Principle 3.8:	The audit committee should be an integral component of the risk management.	Applied	The terms of reference of the audit and risk committee requires the committee to oversee the company's risk management process.
Principle 3.9:	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Will be applied	The terms of reference of the audit and risk committee confirm the requirements of the Companies Act and details the committee's responsibilities in respect of the external auditor's nomination, the terms of engagement and remuneration, the policy for non-audit services, reportable irregularities and the quality and effectiveness of the external auditor. The audit and risk committee recommends to the 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.
Principle 3.10:	The audit committee should report to the board and shareholders on how it has discharged its duties.	Will be applied	The terms of reference of the audit and risk committee require the committee to report to the board on its statutory duties and the duties assigned to it by the board. The audit and risk committee also reports to shareholders on how it has discharged its duties at the AGM.
Chapter 4: The governance of risk			
Principle 4.1:	The board should be responsible for the governance of risk.	Applied	The board charter confirms the board's responsibility for risk governance and delegates the company's risk management function to the audit and risk committee. The terms of reference of the audit and risk committee requires the committee to develop a policy and plan for a system and process of risk management, which is documented and approved by the board on an annual basis. The board takes responsibility for the governance of risk within the company.
Principle 4.2:	The board should determine the levels of risk tolerance.	Will be applied	The board charter requires the board to set the company's level of risk tolerance on recommendation from the audit and risk committee.
Principle 4.3:	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied	The board charter establishes the board's responsibility for risk governance and delegates the company's risk management function to the audit and risk committee. The recommendations of King III in respect of the constitution of a risk committee are met by the audit and risk committee.
Principle 4.4:	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The board charter and the terms of reference of the audit and risk committee delegates the development of the risk management plan and strategy to management.
Principle 4.5:	The board should ensure that risk assessment is performed on a continual basis.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that effective and systematic risk assessments are performed regularly.

Principle 4.6:	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that the risk management framework and processes in place to implement same are adequate for the purpose of anticipating unpredictable risks.
Principle 4.7:	The board should ensure that management considers and implements risk responses.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that management develops adequate risk responses and that the committee considers and evaluates such responses.
Principle 4.8:	The board should ensure continual risk-monitoring by management.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that there is effective and continual monitoring of risk management and that the responsibility for monitoring risk is defined in the risk management plan.
Principle 4.9:	The board should receive assurance regarding the effectiveness of the risk management process.	Will be applied	The audit and risk committee is required to ensure management provides assurance that the risk management plan is integrated into the daily activities of the company.
Principle 4.10:	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Will be applied	A detailed risk management report will form part of the company's integrated report to provide stakeholders with both adequate and accurate information on the risk management processes in the company and the effectiveness thereof.
Chapter 5: The governance of information technology (IT)			
Principle 5.1:	The board should be responsible for information technology (IT) governance.	Applied	The board charter recognises the board's responsibility for IT governance and the board is supported in this area by the audit and risk committee.
Principle 5.2:	IT should be aligned with the performance and sustainability objectives of the company.	Will be applied	The IT strategy will be integrated with the company's strategic and business processes.
Principle 5.3:	The board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	The terms of reference of the audit and risk committee requires the committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework.
Principle 5.4:	The board should monitor and evaluate significant IT investments and expenditure.	Will be applied	The terms of reference of the audit and risk committee requires the committee to monitor the return on investment from significant IT projects.
Principle 5.5:	IT should form an integral part of the company's risk management.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that management demonstrates that the company has adequate business resilience arrangements in place for disaster recovery and that the company complies with all IT laws and related rules, codes and standards.
Principle 5.6:	The board should ensure that information assets are managed effectively.	Will be applied	The terms of reference of the audit and risk committee requires the committee to ensure that systems are in place for the management of information. An information management strategy will be considered which monitors the management of assets.

Principle 5.7:	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	Applied	The terms of reference of the audit and risk committee requires the committee to ensure that IT risks are adequately addressed and that assurance is given to confirm that adequate controls are in place. The audit and risk committee considers IT risks and controls, business continuity and data recovery related to IT, information security and privacy.
Chapter 6: Compliance with laws, codes, rules and standards			
Principle 6.1:	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Will be applied	The board charter recognises the board's responsibility for ensuring compliance by the company. An appropriate compliance policy and framework will be adopted for this purpose.
Principle 6.2:	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards of the company and its business.	Will be applied	The directors appointed to the board of the company are suitably skilled and experienced with regard to the applicable laws, rules, codes and standards of the company and its business. In addition, regular updates and briefings will be provided to directors on developments relating to relevant laws, codes and voluntary standards adhered to by the company.
Principle 6.3:	Compliance risk should form an integral part of the company's risk management process.	Applied	Compliance risk forms an integral part of the company's risk management process. Through the company's risk management framework, the risk management function identifies, assesses and responds to compliance risks.
Principle 6.4:	The board should delegate to management the implementation of an effective compliance framework and processes.	Will be applied	A formal compliance framework and processes will be adopted.
Chapter 7: Internal Audit			
Principle 7.1:	The board should ensure that there is an effective risk based internal audit.	Not applied	The company does not have an internal audit function and the audit and risk committee will be expected to consider the need for an internal audit function on a regular basis.
Principle 7.2:	Internal audit should follow a risk based approach to its plan.	Not applied	Refer to Principle 7.1 above.
Principle 7.3:	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	Not applied	In the absence of an internal audit function, the audit and risk committee will be required to pay particular attention to the effectiveness of the company's system of internal control and risk management.
Principle 7.4:	The audit committee should be responsible for overseeing internal audit.	Not applied	Refer to Principle 7.1 above.
Principle 7.5:	Internal audit should be strategically positioned to achieve its objectives.	Not applied	Refer to Principle 7.1 above.
Chapter 8: Governing stakeholder relationships			

Principle 8.1:	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Will be applied	The board charter recognises the board's responsibility to manage stakeholder relations and perceptions considering the potential risk to the company's reputation.
Principle 8.2:	The board should delegate to management to proactively deal with stakeholder relationships.	Will be applied	The board will adopt a stakeholder engagement policy.
Principle 8.3:	The board should strive to achieve the appropriate balance between its various stakeholder companies, in the best interests of the company.	Will be applied	Refer to Principle 8.2 above.
Principle 8.4:	Companies should ensure the equitable treatment of shareholders.	Applied	In compliance with its responsibilities under the Companies Act and the listings requirements of the JSE Limited, the board is cognisant of its duty to ensure that all shareholders are treated equally and equitably.
Principle 8.5:	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Will be applied	The company will provide complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations.
Principle 8.6:	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible.	Will be applied	The board charter addresses the issue of dispute resolution and the board's approach in this regard.
Chapter 9: Integrated reporting and disclosure			
Principle 9.1:	The board should ensure the integrity of the company's integrated report.	Will be applied	The board will assume responsibility for the integrated report and will ensure that the report fairly represents the performance of the company with the assistance of the audit and risk committee.
Principle 9.2:	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Will be applied	The integrated report will address sustainability issues relevant to the operations of the company.
Principle 9.3:	Sustainability reporting and disclosure should be independently assured.	Will be applied	The board will consider the appropriateness of and need for independent assurance of sustainability reporting as when required.