

RECOMMENDED PRACTICE	APPLY or EXPLAIN
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## 1 ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

### King III Principle 1.1 – The board should provide effective leadership based on an ethical foundation

#### *Responsible leadership*

	Ethical leaders should:	
1.1.1	direct the strategy and operations to build a sustainable business;	The Board believes that good and balanced corporate governance creates an environment in which free enterprise has the opportunity to prosper. It is of the opinion that effective leadership is the core of good governance as leaders define the strategy, provide the direction and establish the values and ethics that will influence and guide practices and behaviour to ensure sustainable performance.
1.1.2	consider the short- and long-term impacts of the strategy on the economy, society and the environment;	The Board considers the short- and long-term impacts of the strategy on the economy, society and the environment. Impacts are embedded in the risk-mapping process.
1.1.3	do business ethically;	The Board regards high ethical standards as non-negotiable, as outlined the Group's Code of Ethical Conduct.
1.1.4	not compromise the natural environment; and	The core values set by the Board includes that all DAWN's people will ensure a culture of responsible corporate citizenship including, but not limited to, promoting the importance of a sustainable environment.
1.1.5	take account of the company's impact on internal and external stakeholders.	The Code of Ethical Conduct has been adopted to give effect to the Group's core values and to guide its relationships with all its stakeholders and other relevant role-players as well as to outline its commitments to them.

#### *The board's responsibilities*

	The board should:	
1.1.6	be responsible for the strategic direction of the company and for the control of the company;	The Board believes that good and balanced corporate governance creates an environment in which free enterprise has the opportunity to prosper. The Board defines the strategy and provides the direction and establishes the values and ethics that will influence and guide practices and behaviour to ensure sustainable performance.
1.1.7	set the values to which the company will adhere formulated in its code of conduct;	The core values set by the Board dictate that all DAWN's people will: <ul style="list-style-type: none"> <li>– act honestly and fairly with due skill, care and diligence in the interests of DAWN's customers, having due regard and respect for diversity;</li> <li>– avoid any act that reflects adversely on our honesty, trustworthiness or competence;</li> <li>– accept accountability for all our actions and decisions;</li> <li>– refrain from any behaviour that can be classified as unlawful, discrimination or harassment;</li> <li>– not tolerate any form of unlawful or criminal conduct including, but not limited to, bribery and corruption; and</li> <li>– ensure a culture of responsible corporate citizenship including, but not limited to, promoting the importance of a sustainable environment.</li> </ul>
1.1.8	ensure that its conduct and that of management aligns to the values and is adhered to in all aspects of its business; and	The Board ensures that its conduct and that of management aligns to the values and is adhered to in all aspects of its business. The Board's and individual directors' desired conduct is outlined in the Board Charter.

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1.1.9	promote the stakeholder-inclusive approach of governance.	The Board regards high ethical standards as non-negotiable. A Stakeholder Engagement Framework has been adopted to give effect to the Group's core values and to guide its relationships with all its stakeholders and other relevant role-players as well as to outline its commitments to them. DAWN is in the process of re-affirming each stakeholder group's most material concerns and responses and these will be incorporated in business plans across the Group.

## Ethical foundation

	The board should:	
1.1.10	ensure that all deliberations, decisions and actions are based on the four values underpinning good governance; and	The Board ensures that all deliberations, decisions and actions of the Board and executive management are based on the four values underpinning good governance – responsibility, accountability, fairness and transparency.
1.1.11	ensure that each director adheres to the duties of a director.	Directors' duties are outlined in the Board Charter and an annual evaluation of individual directors is performed.

## King III Principle 1.2 – The board should ensure the company is and is seen to be a responsible corporate citizen

	The board should:	
1.2.1	consider not only on financial performance but also the impact of the company's operations on society and the environment;	<p>A review of the Socio-Economic Development (SED) framework is in the process to enhance the Group's approach. The SED programme has at its core a programmatic approach based on a comprehensive needs analysis with targeted programmes being identified, developed and implemented. The responsive approach entails operations receiving appeals for funding and approving funding within the parameters of the SED framework. The three main pillars of the SED programme are:</p> <ul style="list-style-type: none"> <li>– support of communities and the environment;</li> <li>– development of the industry in which DAWN operates through skills development initiatives; and</li> <li>– ad hoc financial contributions.</li> </ul> <p>Waste reduction was a key focus area for F2014 as well as the re-introduction of waste into the production process to minimise the impact on the environment. EcoPartners was appointed to assist with this process.</p> <p>The Board and Company's philosophy is the support of local suppliers, which in turn creates local employment opportunities for the benefit of local communities, hence the Group's defensive approach on imports. A globally competitive local supply base is established, partly by backward integration.</p> <p>To inform stakeholders of DAWN's corporate citizenship status, an Integrated Report and Sustainability Report are presented to stakeholders annually, with measurable data being reported on profit, planet and people.</p>
1.2.2	protect, enhance and invest in the well-being of the economy, society and the environment;	
1.2.3	ensure that the company's performance and interactions with stakeholders is guided by the Constitution and the Bill of Rights;	
1.2.4	ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship;	
1.2.5	ensure that measurable corporate citizenship programmes are implemented; and	
1.2.6	ensure that management develops corporate citizenship policies.	

## King III Principle 1.3 – The board should ensure that the company's ethics are managed effectively

	The board should ensure that:	
1.3.1	it builds and sustains an ethical corporate and ethical culture in the company;	The Board ensures that the Company is seen to be a responsible corporate citizen and that it builds and sustains an ethical corporate and ethical culture in the Company. Ethics training is incorporated in the Group's induction programme.
1.3.2	it determines the ethical standards which should be clearly articulated and ensures that the company takes measures to achieve adherence to them in all aspects of the business;	The ethical standards which the Group adhere to are outlined in the Code of Ethical Conduct and in the core values set by the Board (see 1.1.7 above).

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1.3.3	adherence to ethical standards is measured;	<p>The Social, Ethics and Transformation Committee has as a specific area of focus the measurement of ethical standards, which is incorporated in its Annual Work Plan.</p> <p>A whistle-blowing mechanism has been in place since December 2006 for the reporting of suspected fraud and unethical behaviour. There is a strong focus on staff awareness of this facility through regular distribution of the Eyethu newsletter, posters and the intranet. Copies of the Code of Ethical Conduct and Whistle-Blowing Policy are available on the Company's website <a href="http://www.dawnltd.co.za">www.dawnltd.co.za</a>. DAWN uses an outsourced, anonymous, toll-free hotline, which is managed by KPMG Inc. All reports are submitted to the Internal Audit Executive, Chief Financial Officer and Risk and Compliance Officer. They ensure that all incidents are logged, investigated, actioned (if necessary), reported to the Executive Committee and resolved. The cycle time for answering callers' questions or closing an investigation on a case is recorded and feedback is provided continuously and within a short timeframe. No material cases were reported during the year under review.</p>
1.3.4	internal and external ethics performance is aligned around the same ethical standards;	DAWN's Code of Ethical Conduct is binding on all directors, managers, employees, independent contractors, agents, service providers and business partners, irrespective of their status as a natural person, legal person or other entity.
1.3.5	ethical risks and opportunities are incorporated in the risk management process;	Ethical risks and opportunities are incorporated in the risk management process and all Group companies participate annually in a risk-mapping exercise.
1.3.6	a code of conduct and ethics-related policies are implemented;	The Board regards high ethical standards as non-negotiable. The Code of Ethical Conduct has been adopted to give effect to the Group's core values and to guide its relationships with all its stakeholders and other relevant role-players as well as to outline its commitments to them.
1.3.7	compliance with the code of conduct is integrated in the operations of the company; and	Compliance with the Code of Ethical Conduct is integrated in the operations of the Company.
1.3.8	the company's ethics performance should be assessed, monitored, reported and disclosed.	Refer to 1.3.3 above.

## 2 BOARDS AND DIRECTORS

### King III Principle 2.1 – The board should act as the focal point for and custodian of corporate governance

#### Role and function of the board

	The board should:	
2.1.1	have a charter setting out its responsibilities;	<p>The purpose of the Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good corporate governance. The Charter sets out specific responsibilities to be discharged by Board members collectively and the individual roles expected of Board members. The objectives of the Charter are to ensure that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good corporate governance are applied in all their dealings in respect of, and on behalf of, the Group.</p> <p>The Charter defines the role and responsibilities of the Board.</p>
2.1.2	meet at least four times per year;	The Board meets at least quarterly to initiate, evaluate and monitor business matters, which have an impact on the wellbeing of the Group and its stakeholders. These include setting Group strategy, determining policy and instituting control measures.

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2.1.3	monitor the relationship between management and the stakeholders of the company; and	The Charter defines the role and responsibilities of the Board to act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along with sound corporate governance principles.
2.1.4	ensure that the company survives and thrives.	The Board sets the Group's strategy, determines policy and institutes control measures. The Board takes final responsibility for acquisitions and disposals, approves capital expenditure and appraises proposals from the Executive and other Board Committees to ensure the sustainable growth of the Group.

## King III Principle 2.2 – The Board should appreciate that strategy, risk, performance and sustainability are inseparable

	The board should:	
2.2.1	inform and approve the strategy;	The Board meets at least quarterly to initiate, evaluate and monitor business matters, which have an impact on the wellbeing of the Group and its stakeholders. These include setting Group strategy, determining policy and instituting control measures. The Board takes final responsibility for acquisitions and disposals, approves capital expenditure and appraises proposals from the Executive and other Board Committees.  The Charter defines the role and responsibilities of the Board to appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by contributing to and approving the strategy; identifying key performance and risk areas; ensuring that the strategy will result in sustainable outcomes; and considering sustainability as a business opportunity that guides strategy formulation.  DAWN's strategy, having specific regard for the sustainable outcomes taking account of people, planet and profit are detailed in its Capitals (pages 57 to 59), The DAWN Model (pages 19 to 23) and Value Chain (pages 60 and 61) described in the Integrated Report 2014.
2.2.2	ensure that strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders;	
2.2.3	satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and	
2.2.4	ensure that the strategy will result in sustainable outcomes taking account of people, planet and profit.	

## King III Principle 2.3 – The board should provide effective leadership based on an ethical foundation

	Refer to principle 1.1.	The Charter defines the role and responsibilities of the Board to provide effective leadership on an ethical foundation.
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## King III Principle 2.4 – The board should ensure that the company is and is seen to be a responsible corporate citizen

	Refer to principle 1.2.	The Board ensures that the Company is seen to be a responsible corporate citizen and that it builds and sustains an ethical corporate and ethical culture in the Company.
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## King III Principle 2.5 – The board should ensure that the company's ethics are management effectively

	Refer to principle 1.3.	The Board ensures that the Company's ethics are managed effectively and ensures that all deliberations are based on the four values underpinning good governance, being responsibility, accountability, fairness and transparency.
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## King III Principle 2.6 – The board should ensure that the company has an effective and independent audit committee

	Refer to chapter 3.	The Company has an effective and independent Audit Committee. On recommendation of the Nomination Committee, the Chairman of the Board is a member of the Audit Committee.
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RECOMMENDED PRACTICE	APPLY or EXPLAIN
<b>King III Principle 2.7 – The board should be responsible for the governance of risk</b>	
Refer to chapter 4.	The Board, supported by the Risk Committee and the risk-mapping process undertaken by Group companies, accepts responsibility for the governance of risk.
<b>King III Principle 2.8 – The board should be responsible for information technology (IT) governance</b>	
Refer to chapter 5.	On completion of the individual Group companies' risk registers, the Board identifies the key risk areas and key performance indicators for the Group. These are regularly updated and particular attention is given to technology and systems, as the Board is ultimately responsible for the governance of IT.
<b>King III Principle 2.9 – The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards</b>	
Refer to chapter 6.	The Board, through the Group's Compliance Officer, ensures that the Company complies with applicable laws and considers adherence to applicable non-binding rules and standards.
<b>King III Principle 2.10 – The board should ensure that there is an effective risk-based internal audit</b>	
Refer to chapter 7.	The Board ensures that there is an effective risk-based internal audit function. In September 2013 the Internal Audit function was renamed DAWN Risk and Assurance Services to be more reflective of its role and areas of responsibility in the Group.
<b>King III Principle 2.11 – The board should appreciate that stakeholders' perceptions affect the company's reputation</b>	
Refer to chapter 8.	The Board appreciates that stakeholders' perceptions affect the Company's reputation. To give effect to enhancing stakeholder perceptions, a Stakeholder Engagement Framework has been adopted and is being implemented across the board.
<b>King III Principle 2.12 – The board should ensure the integrity of the company's integrated report</b>	
Refer to chapter 9.	The Board, supported by the Audit Committee, ensures the integrity of the Company's Integrated Report.
<b>King III Principle 2.13 – The board should report on the effectiveness of the company's system of internal controls</b>	
Refer to chapters 7 and 9.	The Board, operating through its Audit Committee, provides oversight of the financial reporting process and reports on the effectiveness on the Company's system of internal controls.
<b>King III Principle 2.14 – The board and its directors should act in the best interest of the company</b>	
2.14.1 The board must act in the best interest of the company.	The Board acts in the best interests of the Company by ensuring that individual directors:
2.14.2 Directors must adhere to the legal standards of conduct.	– adhere to legal standards of conduct;
2.14.3 Directors or the board should be permitted to take independent advice in connection with their duties following an agreed procedure.	– are permitted to take independent advice in connection with their duties following an agreed procedure;
2.14.4 Real or perceived conflicts should be disclosed to the board and managed.	– disclose real or perceived conflicts to the Board and deal with them accordingly; and
2.14.5 Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees.	– deal in securities only in accordance with the policy adopted by the Board.

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<b>King III Principle 2.15 – The board should consider business rescue proceedings or other turnaround mechanism as soon as the company is financially distressed as defined in the Act</b>		
	The board should ensure that:	
2.15.1	the solvency and liquidity of the company is continuously monitored;	As outlined in the Board Charter, the Board will commence business rescue proceedings as soon as the Company is financially distressed.
2.15.2	its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue;	
2.15.3	a suitable practitioner is appointed if business rescue is adopted; and	
2.15.4	the practitioner furnishes security for the value of the assets of the company.	
<b>King III 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 the chairman of the board</b>		
	The board should ensure that:	
2.16.1	The members of the board should elect a chairman on an annual basis.	In terms of the Board Charter, the Board elects a chairman on an annual basis. Mr RL Hiemstra was elected Chairman for F2015 at the Board meeting held on 9 October 2014.
2.16.2	The chairman should be independent and free of conflict upon appointment.	On the annual assessment of the Chairman, the Board confirmed the Chairman's independence as well as freedom from any conflict
2.16.3	A lead independent director should be appointed in the case where an executive chairman is appointed or where the chairman is not independent or conflicted.	As the Chairman is not an executive chairman, the Board need not appoint a Lead Independent Director, yet as part of its succession planning strategy for the Chairman, Mr LM Alberts has been appointed Lead Independent Director.
JSE 3.84(c)	Main Board listed companies must have a CEO and a chairman and these positions must not be held by the same person.	The roles of the Chairman and the Chief Executive Officer are separate.
2.16.4	The appointment of the chairman, who is not independent, should be justified in the integrated report.	The Chairman is an independent non-executive chairman.
2.16.5	The role of the chairman should be formalised.	The role of the Chairman is formalised and is outlined in the Board Charter as part of roles and responsibilities of directors.
2.16.6	The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year.	The Chairman's ability to add value, and his performance against what is expected of his role and function, is assessed annually by the Board.
2.16.7	The CEO should not become the chairman until three years have lapsed.	The Chairman of the Board, Mr RL Hiemstra, has never served in an executive capacity in the DAWN Group. There is no intention for the Chief Executive Officer, Mr DA Tod, to be appointed Chairman.
2.16.8	The chairman together with the board should consider the number of outside chairmanships held.	The Chairman, together with the Board, considers the number of outside chairmanships held.
2.16.9	The board should ensure a succession plan for the role of the chairman.	The Board considers the number of outside chairmanships held by the Chairman and, in terms of the Board Charter, ensures a proper succession plan for the position of Chairman. As the Chairman is not an executive chairman, the Board need not appoint a Lead Independent Director, yet as part of its succession planning strategy for the Chairman, Mr LM Alberts has been appointed Lead Independent Director.

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RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 2.17 – The board should appoint the chief executive officer and establish a framework for the delegation of authority</b>		
	The board should:	
2.17.1	appoint the CEO;	The Board appoints and evaluates the performance of the Chief Executive Officer.
2.17.2	provide input regarding senior management appointments;	The Board, on recommendation of the Executive Committee, provides input regarding senior management appointments.
2.17.3	define its own level of materiality and approve a delegation of authority framework;	The Board defines levels of materiality, reserving specific power to itself and delegating other matters with the necessary written authority to Board sub-committees and management. These matters are monitored and evaluated on a regular basis. The Group's Governance and Compliance Framework outlines the specific areas of responsibility.
2.17.4	ensure that the role and function of the CEO is formalised and the performance is evaluated against the criteria specified; and	The daily management of the Group's affairs is delegated to the Chief Executive Officer, who co-ordinates the implementation of Board policy through the Executive Committee. The Chairman annually appraises the Chief Executive Officer and the results of this appraisal are considered by the Remuneration Committee to guide it in its evaluation of the performance and remuneration of the Chief Executive Officer.
2.17.5	ensure succession planning for the CEO and other senior executives and officers is in place.	The Board gives strategic direction to the Group, appoints the Chief Executive Officer and ensures that succession is planned. A formal Succession Planning Policy has been adopted by the Remuneration Committee.
<b>King III 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</b>		
<b>Composition of the board</b>		
2.18.1	The majority of board members should be non-executive directors.	The unitary Board of Directors of DAWN, chaired by Mr RL Hiemstra, an independent non-executive director who was appointed as Chairman on 1 July 2011, reflects an appropriate mix of executive and non-executive directors. Specifically, it comprises six non-executive directors, of whom three are independent, and four executive directors.
2.18.2	The majority of the non-executive directors should be independent.	The unitary Board of Directors of DAWN, comprises six non-executive directors, of whom four are independent, and four executive directors. This allows the non-executive directors to provide independent judgement on issues of strategy, performance, resources, transformation, diversity, employment equity and evaluation of performance and standards of conduct.
2.18.3	When determining the number of directors serving on the board, the knowledge, skills and resources required for conducting the business of the board should be considered.	On recommendation of the Nomination Committee, directors, both executive and non-executive, are appointed for their skill and experience.
2.18.4	Every board should consider whether its size, diversity and demographics make it effective.	The role of the Nomination Committee is to assist the Board to ensure that the Board has the appropriate composition for it to execute its duties effectively. The Nomination Committee annually reviews the Board's required mix of skills, experience and other qualities to assess the effectiveness of the Board, its committees and the contribution of each director.
2.18.5	Every board should have a minimum of two executive directors of which one should be the CEO and the other the director responsible for finance.	There are four executive directors on the DAWN Board, including the Chief Executive Officer and the Chief Financial Officer.

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2.18.6	At least one third of the non-executive directors should rotate every year.	In terms of the Company's Memorandum of Incorporation and the Board Charter, at least one-third of all the directors retire by rotation at the Company's annual general meeting.
2.18.7	The board, through its nomination committee, should recommend the eligibility of prospective directors.	The Nomination Committee performs all the functions necessary to fulfil its role, including ensuring the establishment of a formal process for the appointment of directors, being: performance of reference and background checks of candidates prior to nomination in accordance with the recommendation required for listed companies by the JSE.
2.18.8	Any independent non-executive directors serving more than 9 years should be subjected to a rigorous review of his independence and performance by the board.	Three of the directors on the Board have served a term exceeding nine years. The Board reviewed the independence of Messrs LM Alberts, OS Arbee and RL Hiemstra and, after due consideration, concluded that their long association with the Group has not impaired their integrity, impartiality and objectivity and that they have retained their ability to act independently.
2.18.9	The board should include a statement in the integrated report regarding the assessment of the independence of the independent non-executive directors.	All non-executive directors are required to complete an independence questionnaire to establish whether they meet the objective independence criteria of King III. The completed questionnaires are evaluated by the Board as a whole and the Board concluded that four of the six non-executive directors are independent according to the King III definition. A statement to this effect appears on page 83 in the Corporate Governance section of the Integrated Report 2014.
2.18.10	The board should be permitted to remove any director without shareholder approval.	In terms of the Company's Memorandum of Incorporation, the Board has the authority to remove any director without shareholder approval.
JSE 3.84(f)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	The capacity of directors in relation to executive, non-executive and independent, together with brief curriculum vitae, is outlined in the Integrated Report 2014 on pages 15 to 17.
JSE 3.84(g)	Issuers must have a full time executive financial director.	Mr JAI Ferreira is the full time executive Chief Financial Officer of DAWN.

## King III Principle 2.19 – Directors should be appointed through a formal process

### Board appointment process

2.19.1	A nomination committee should assist with the process of identifying suitable members of the board.	The Nomination Committee's terms of reference stipulates that it assists with the identification of suitable members for the Board.
2.19.2	Background and reference checks should be performed before the nomination and appointment of directors.	The Nomination Committee performs reference and background checks of candidates prior to the nomination and appointment of directors, in accordance with the recommendation required for listed companies by the JSE.
2.19.3	The appointment of non-executives directors should be formalised through a letter of appointment.	Formal agreements, which include the director's code of conduct to be complied with and the contribution that is expected from the specific director, exist between non-executive directors and the Company. The agreements also sets out the remuneration terms of the specific director, which are subject to shareholder approval at the annual general meeting each year, as well as the terms of directors' and officers' liability insurance provided.
2.19.4	The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.	The names of directors, accompanied by sufficient biographical information, appear on pages 15 to 17 of the Integrated Report 2014.
JSE 3.84(a)	There must be a policy detailing the procedures for the appointment to the board.	The procedures for appointment to the Board are included in the terms of reference of the Nomination Committee.

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JSE 3.84(a)	There must be a policy detailing the procedures for the appointment to the board.	The procedures for appointment to the Board are included in the terms of reference of the Nomination Committee.
JSE 3.84(a)	Appointments must be formal and transparent and a matter for the board as a whole, assisted where appropriate by a nomination committee.	Prospective candidates are presented to the Board by the Nomination Committee, whereafter appointments are formal, transparent and a matter for the Board as a whole.
JSE 3.84(a)	Where appropriate, the issuer may appoint a nomination committee.	The Board has, as one of its committees, a Nomination Committee.
JSE 3.84(a)	If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the chairman of the board.	The Nomination Committee comprises Messrs RL Hiemstra, LM Alberts and OS Arbee, all of whom are independent non-executive directors. Mr RL Hiemstra, Chairman of the Board, is the Chairman of the Nomination Committee.
JSE 3.84(b)	There must be a policy evidencing a clear balance of power and authority at board level to ensure that no one director has unfettered powers.	The Board has a clear balance of power and authority with the majority of the directors being independent non-executive directors, as outlined in the Board Charter.
JSE 3.84(e)	Brief CV of each director standing for election or re-election must accompany relevant notice of meeting.	The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders to make an informed decision in respect of their election.

## King III Principle 2.20 – The induction of an ongoing training and development and training of directors should be conducted through formal processes

### Director development

	The board should ensure that:	
2.20.1	a formal induction programme is established for new directors;	The appointment of new directors requires the unanimous approval of the Board. The Board established a formal orientation programme to familiarise incoming directors with the Group's operations, senior management and its business environment and to induct them in their fiduciary duties and responsibilities.
2.20.2	inexperienced directors are developed through mentorship programmes;	
2.20.3	continuing professional development programmes are implemented; and	
2.20.4	directors receive regular briefings on changes in risks, laws and the environment.	
		The Company Secretary assists with the director induction and continuing professional development training programmes.
		At each Board meeting the Risk and Compliance Officer provides the Board with information pertaining to changes in legislation and updates on the Group's risk registers.

## King III Principle 2.21 – The board should be assisted by a competent, suitably qualified and experienced company secretary

### Company Secretary

2.21.1	The board should appoint and remove the company secretary.	With effect from 1 October 2012 the Board appointed iThemba Governance and Statutory Solutions (Pty) Ltd as Company Secretary, thereby ensuring an arm's length relationship with the Board. iThemba is managed by Ms Annamarie van der Merwe, who has more than 20 years' experience as company secretary in the listed environment, and the Board is satisfied that the iThemba team has the necessary skills and experience to fulfil this function with the required empowerment from the Board to properly fulfil their duties.
2.21.2	The board should empower the individual to enable him to properly fulfil his duties.	
	The company secretary should:	
2.21.3	have an arm's length relationship with the board;	
2.21.4	not be a director of the company;	
2.21.5	assist the nomination committee with the appointment of directors;	
2.21.6	assist with the director induction and training programmes;	The Company Secretary assists the Nomination Committee with the appointment of directors.
		When new directors are appointed, the Company Secretary assists with the director induction and continuing professional development training programmes.

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2.21.7	provide guidance to the board on the duties of the directors and good governance;	The Company Secretary provides guidance to the Board as a whole and to individual directors with regard to how their responsibilities should properly be discharged in the best interests of the Group.
2.21.8	ensure board and committee charters are kept up to date;	The Company Secretary ensures that the Board Charter and the Terms of Reference of Board Committees are regularly updated.
2.21.9	prepare and circulate board papers;	The Company Secretary assists the Chairman and the Chief Executive Officer in determining the annual board plan, board agendas and formulating governance and board-related issues.
2.21.10	elicit responses, input and feedback for board and board committee meetings;	
2.21.11	assist in drafting yearly work plans;	
2.21.12	ensure preparation and circulation of minutes of board and committee meetings; and	
2.21.13	assist with the evaluation of the board, committees and individual directors.	The Company Secretary assists with the evaluation of the Board and its Committees as well as of the directors.
JSE 3.84(i)	The provision deals with the competence, qualifications and experience of the company secretary and the board of directors' responsibility in relation thereto.	See 2.21.1 above. The Board has during F2014 considered and satisfied itself of the competence, qualifications and experience of the Company Secretary.
JSE 3.84(j)	The provision deals with the arm's length relationship between the board of directors and the company secretary and the board of directors' responsibility in relation thereto.	See 2.21.3 above.

## King III Principle 2.22 – The evaluation of the board, its committees and the individual directors should be performed every year

### Performance assessment

2.22.1	The board should determine its own rule, functions, duties and performance criteria as well as that for directors on the board and board committees to serve as a benchmark for the performance appraisal.	An annual evaluation of the Board and each of the Board Committees consists of a questionnaire being completed by all Board members. The results are collated by the Company Secretary and submitted to the Board to assess whether any actions should arise from the evaluation process. Annual evaluations are performed by the Board as a whole.  This annual evaluation is comprehensive, encompassing all aspects of the Board's responsibilities. It covers both individual member contributions and the effectiveness of the Board as a whole. The results of the executive and non-executive directors' evaluations are not tabulated separately.  Performance evaluations identify training needs of directors and relevant directors received Ethics training during F2014.
2.22.2	Yearly evaluations should be performed by the chairman or an independent provider.	
2.22.3	The results of the performance evaluations should identify training needs for directors.	
2.22.4	An overview of the appraisal process, results and action plans should be disclosed in the integrated report.	
2.22.5	The nomination for the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director.	

## King III Principle 2.23 – The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities

### Board committees

2.23.1	Formal terms of reference should be established and approved for each committee of the board.	Specific responsibilities have been formally delegated to Board Committees with defined terms of reference, life span and function, clearly agreed upon reporting procedures and written scope of authority.
2.23.2	The committees' terms of reference should be reviewed yearly.	The Committees are appropriately constituted with due regard to the skills required by each Committee and the Committees' terms of reference are reviewed once a year.

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
2.23.3	The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.	<p>The following Board Committees assist the Board in the execution of its duties:</p> <ul style="list-style-type: none"> <li>– Audit Committee;</li> <li>– Risk Committee;</li> <li>– Remuneration Committee;</li> <li>– Nomination Committee;</li> <li>– Social, Ethics and Transformation Committee; and</li> <li>– IT Steering Committee.</li> </ul> <p>The composition and terms of reference of the above committees are disclosed in the Integrated Report 2014 on pages 87 to 91, pages 93 and 94, pages 114 to 117 and pages 131 to 134.</p>
2.23.4	Public and state-owned companies must appoint an audit committee.	The Board has appointed an Audit Committee, as required by the Companies Act of 2008.
2.23.5	All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.	The composition, purpose and duties of the Audit Committee are outlined in DAWN's Memorandum of Incorporation.
2.23.6	Companies should establish risk, nomination and remuneration committees.	Risk, Nomination and Remuneration Committees have been established by the Board.
2.23.7	Committees, other than the risk committee, should comprise a majority of non-executive directors of which the majority should be independent.	<p>The Committees, excluding the Risk Committee, are constituted as follows:</p> <p><i>Audit Committee:</i> All members are independent non-executive directors.</p> <p><i>Remuneration Committee:</i> All members are independent non-executive directors.</p> <p><i>Nomination Committee:</i> All members are independent non-executive directors.</p> <p><b>Gap identified:</b> In compliance with Regulation 43(4) of the Companies Act, the Social, Ethics and Transformation Committee comprises executive directors and members of management with its Chairman being a Non-Executive Director. The members of the IT Steering Committee are executive directors and the Chief Information Officer. These committees' composition does not comply with the King III Code's requirement that Board committees should comprise a majority of non-executive directors of which the majority should be independent. Based on the terms of reference of the Social, Ethics and Transformation Committee and the IT Steering Committee, which terms of reference were adopted by the Board, due consideration was given to the skills and expertise of the members of these committees and the Board has satisfied itself that the current membership of these committees is the most appropriate for the fulfilment of the needs and requirements of the DAWN Group.</p>
2.23.8	External advisers and executive directors should attend committee meetings by invitation.	The Chief Executive Officer, executive directors and management and external advisers attend meetings by invitation. Internal Audit has a standing invitation to meetings.
2.23.9	Committees should be free to take independent outside professional advice at the cost of the company subject to an approved process being followed.	A process has been approved by the Board whereby committees may obtain independent professional advice at the Company's expense, should they deem this necessary.
JSE 3.84(d)	Issuers must appoint a remuneration committee in compliance with the King Code.	A Remuneration Committee, comprising Messrs LM Alberts (Chairman), OS Arbee and RL Hiemstra (all of whom are independent non-executive directors), has been appointed.
JSE 3.84(d)	Where appropriate, issuers must appoint a risk and nomination committee.	The Board has appointed Risk and Nomination Committees.

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for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
JSE 3.84(d)	The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	The composition of the Board Committees, a brief description of their mandates together with the number of meetings held during the period 1 July 2013 to 30 June 2014 are disclosed in the Integrated Report 2014 on pages 87 to 91, and pages 93 and 94, pages 114 to 117 and pages 131 to 134.
King III 130	Unless legislated otherwise, the board should appoint the risk, remuneration and nomination committees as standing committees. The board may also consider establishing governance, IT steering and sustainability committees. Smaller companies need not establish formal committees to perform these functions, but should ensure that these functions are appropriately addressed by the board.	See 2.23.3.

## King III Principle 2.24 – A governance framework should be agreed between the group and its subsidiary boards

### Group boards

2.24.1	Listed subsidiaries must comply with the rules of the relevant stock exchange in respect of insider trading.	The Group has a formal policy, established by the Board and implemented by the Company Secretary, prohibiting dealing in securities by directors, officers and other selected employees from the end of the respective reporting period to the date of the announcement of the financial results or in any other period considered price sensitive.
2.24.2	The holding company must respect the fiduciary duties of the director serving in a representative capacity on the board of the subsidiary.	A governance framework has been agreed between the Group and its subsidiary boards and is outlined on page 77 of the Integrated Report.
2.24.3	The implementation and adoption of policies, processes or procedures of the holding company should be considered and approved by the subsidiary company.	The policies, procedures and processes of the Group are adopted by the Board and adopted and implemented at subsidiary companies.
2.24.4	Disclosure should be made on the adoption of the holding company's policies in the integrated report of the subsidiary company.	

## King III Principle 2.25 – Companies should remunerate directors and executives fairly and responsibly

### Remuneration of directors and senior executives

2.25.1	Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance.	The Board, on the recommendation of the Remuneration Committee, has reviewed Group remuneration policies to ensure that these are aligned with the Company's strategy and linked to individual performance. Shareholders will be requested to approve the Company's remuneration policy through a non-binding advisory vote at the annual general meeting.
2.25.2	The remuneration committee should assist the board in setting and administering remuneration policies.	The Remuneration Committee oversees the establishment of the remuneration policy to ensure that it assists in the promotion of the achievement of strategic objectives and encourages individual performance.
2.25.3	The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.	The remuneration policy addresses total remuneration including appropriate values for all elements of remuneration, incorporating fixed remuneration, performance-based remuneration comprising payments made or value provided for at risk components as well as share-based and other long-term incentive schemes.
2.25.4	Non-executive fees should comprise a base fee as well as an attendance fee per meeting.	Non-executive directors' compensation is structured on a 60:40 basis, with 60% guaranteed remuneration and 40% subject to attendance of all meetings. Service on sub-committees of the Board may entitle members to additional payment, subject to work load and at the discretion of the Board.

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RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 2.26 – Companies should disclose the remuneration of each individual director and prescribed officers</b>		
	The remuneration report, included in the integrated report, should include:	
2.26.1	all benefits paid to directors;	Directors' and prescribed officers' emoluments paid by the subsidiaries for the year ended 30 June 2014 are outlined in the Report of the Remuneration Committee on pages 100 to 110 of the Integrated Report 2014 and in the annual financial statements on the web.
2.26.2	all benefits paid to prescribed officers;	
2.26.3	the policy on base pay;	
2.26.4	participation in share incentive schemes;	
2.26.5	the use of benchmarks;	
2.26.6	incentive schemes to encourage retention;	
2.26.7	justification of salaries above the median;	
2.26.8	material payments that are ex-gratia in nature;	
2.26.9	policies regarding executive employment; and	
2.26.10	the maximum expected potential dilution as a result of incentive awards.	A calculation is done on the maximum expected potential dilution as a result of incentive awards and is disclosed in diluted earnings per share in note 11 on pages 47 and 48 of the annual financial statements on the web.
King III 180	Companies should provide full disclosure of each individual executive and non-executive director's remuneration, giving details as required in the Act of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits (including present values of existing future awards). Similar information should be provided for persons falling within the definition of prescribed officers of the company as defined in the Act.	Disclosure of the remuneration of directors and prescribed officers, including the details thereof, is disclosed in the Report of the Remuneration Committee on pages 100 to 108 of the Integrated Report 2014 and in the annual financial statements on the web.
<b>King III Principle 2.27 – Shareholders should approve the company's remuneration policy</b>		
2.27.1	Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy.	Shareholders will be requested to approve the Company's remuneration policy, summarised on pages 94 to 99 of the Integrated Report 2014, through a non-binding advisory vote at the annual general meeting.
2.27.2	The board should determine the remuneration of the directors in accordance with the remuneration policy put to shareholder's vote.	The Board, on recommendation of the Remuneration Committee and in line with the remuneration policy, has authorised the remuneration payable to non-executive directors for the 2015 financial year, which remuneration will be presented to shareholders for approval, by special resolution, at the annual general meeting.

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>3 AUDIT COMMITTEES</b>		
<b>King III Principle 3.1 – The board should ensure that the company has an effective and independent audit committee</b>		
3.1.1	Listed and state-owned companies must establish an audit committee.	The Audit Committee was established with terms of reference from the Board. The Report of the Audit Committee detailing its composition, purpose and duties appears on pages 131 to 134 of the Integrated Report 2014.
3.1.2	All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.	
3.1.3	The board should approve the terms of the reference of the audit committee.	The Audit Committee's terms of reference has been approved by the Board and is available for inspection at the Company's registered office.
3.1.4	The audit committee should meet as often is necessary to fulfil its function but at least twice a year.	Attendance at meetings held during the period 1 July 2013 to 30 June 2014 appears on page 133 of the Integrated Report 2014. Three meetings were held during the year.
3.1.5	The audit committee should meet with internal and external auditors at least once a year without management being present.	During the year under review the Audit Committee has met with the internal and external auditors without management being present.
<b>King III Principle 3.2 – Audit committee members should be suitably skilled and experienced independent non-executive directors</b>		
<b>Membership and resources of the audit committee</b>		
3.2.1	All members of the audit committee should be independent non-executive directors.	The Audit Committee comprises Messrs OS Arbee (Chairman), LM Alberts and RL Hiemstra, all of whom are independent non-executive directors. Mr RL Hiemstra, the Chairman of the Board, is a member of the Audit Committee as the Board believes that the benefits of his extensive financial skills and knowledge outweigh any other consideration. In line with JSE requirements, the Nomination Committee has recommended the appointment of Mr RL Hiemstra as a member of the Audit Committee to the Board and Mr RL Hiemstra's appointment was approved by shareholders at the annual general meeting held on 26 November 2013.
3.2.2	The audit committee should consist of at least three members.	
3.2.3	The chairman of the board should not be the chairman or member of the audit committee.	
3.2.4	The committee collectively should have sufficient qualifications and experience to fulfil its duties.	
3.2.5	The audit committee members should keep up-to-date with the developments affecting the required skills-set.	The external auditors provide regular reports to the Audit Committee on developments in the audit and accounting area. In addition, members of the Committee are expected to keep up to date with all developments affecting the mandate of the Committee.
3.2.6	The committee should be permitted to consult with specialist or consultants subject to a board-approved process.	This authority is confirmed in the Terms of Reference of the Audit Committee.
3.2.7	The board must fill any vacancies on the audit committee.	Should any vacancies arise on the Audit Committee, the Board will fill such vacancy and the appointment of the Audit Committee member will be subject to shareholder approval at the next annual general meeting.
JSE 3.84(d)	Issuers must appoint an audit committee in compliance with the King Code. All the principles and recommended practice, including composition and duties, as set out in the King Code, must be complied with.	The Board has appointed an Audit Committee and complies with all the principles and recommended practice, including composition and duties, as set out in the King Code, with one exception. The Chairman of the Board, on the recommendation of the Nomination Committee, is a member of the Audit Committee. The dual role is specifically disclosed to shareholders in the notice of annual general meeting, as required by the JSE.

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 3.3 – The audit committee should be chaired by an independent non-executive director</b>		
3.3.1	The board should elect the chairman of the audit committee.	Mr OS Arbee, Chairman of the Audit Committee, is an independent non-executive director and he was elected by the Board. His appointment was approved by shareholders at the annual general meeting held on 26 November 2013.
3.3.2	The chairman of the audit committee should participate in setting and agreeing the agenda of the committee.	The agenda for each Audit Committee meeting is based on the Committee's approved annual work plan. The Chairman of the Audit Committee gives additional input on agenda items which should be included for deliberation.
3.3.3	The chairman of the audit committee should be present at the annual general meeting.	The Chairman of the Audit Committee attends annual general meetings.
<b>King III Principle 3.4 – The audit committee should oversee integrated reporting</b>		
<i>Responsibilities of the audit committee</i>		
3.4.1	The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report.	The Audit Committee has regarded all factors and risks that may impact on the integrity of the Integrated Report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, as well as any evidence that brings into question previously published information and forward-looking statements or information. The Audit Committee has presented the Integrated Report for approval by the Board, which approval was granted on 6 November 2014.
3.4.2	The audit committee should review and comment on the financial statements included in the integrated report.	The Audit Committee has reviewed the annual financial statements and summarised integrated information contained in the Integrated Report 2014.
3.4.3	The audit committee should review the disclosure of sustainability issue in the integrated report to ensure that it is reliable and does not conflict with the financial information.	The Audit Committee has reviewed the disclosure of sustainability issues in the Sustainability Report 2014 and in the Integrated Report 2014 to ensure that it is reliable and does not conflict with the financial information.
3.4.4	The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues.	The Committee reviews and recommends to the Board the engagement of external assurance providers on material sustainability issues.
3.4.5	The audit committee should consider the need to issue interim results.	The Committee considers whether or not the interim report should be subject to an independent review by the auditors.
3.4.6	The audit committee should review the content of the summarised information.	The Audit Committee has reviewed the content of the summarised financial information and concluded that it provides a balanced view of the Group's performance.
3.4.7	The audit committee should engage the external auditors to provide assurance on the summarised financial information.	The external auditor provided assurance on the summarised financial information contained in the Integrated Report 2014 on pages 143 to 161.
<b>King III Principle 3.5 – The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities</b>		
3.5.1	The audit committee should ensure that the combined assurance received is appropriate to address all the significant risks facing the company.	The Audit Committee, together with the Risk Committee, evaluated the combined assurance received and satisfied itself that the assurance received is appropriate to address all the significant risks facing the Company.
3.5.2	The relationship between the external assurance providers and the company should be monitored by the audit committee.	A combined assurance plan has been adopted by the Board. The Audit Committee assesses every external assurance provider to ensure that an arm's length relationship exists between the assurance provider and DAWN.

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 3.6 – The audit committee should satisfy itself of the expertise, resources and experience of the company’s finance function</b>		
<i>Internal assurance providers</i>		
3.6.1	Every year a review of the finance function should be performed by the audit committee.	The Audit Committee has considered, and has satisfied itself of, the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The results of the review is disclosed in the Report of the Audit Committee on page 134 of the Integrated Report 2014.
3.6.2	The results of the review should be disclosed in the integrated report.	
JSE 3.84(h)	The audit committee must consider on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.	
<b>King III Principle 3.7 – The audit committee should be responsible for overseeing of internal audit</b>		
3.7.1	The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the CAE.	As outlined in the Internal Audit Charter, the Audit Committee is responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive.
3.7.2	The audit committee should approve the internal audit plan.	The Internal Audit plan is reviewed and adjusted on a continuous basis to ensure effectiveness and is based on the relevant degree of inherent risk. The Internal Audit plan for the 2014 financial year was reviewed and approved by the Audit Committee.
3.7.3	The audit committee should ensure that the internal audit function is subject to an independent quality review as and when the committee determines it appropriate.	In compliance with King III, the Board, through its Audit Committee, ensures that the Internal Audit function is subject to independent quality review at periods of at least once every three years, with the first review having been conducted in September 2013.
<b>King III Principle 3.8 – The audit committee should be an integral component of the risk management process</b>		
3.8.1	The charter of the audit committee should set out its responsibilities regarding risk management.	The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and information technology risks as it relates to financial reporting.
3.8.2	The audit committee should specifically have oversight of:	
3.8.2.1	financial reporting risks;	
3.8.2.2	internal financial controls;	
3.8.2.3	fraud risks as it relates to financial reporting; and	
3.8.2.4	IT risks as it relates to financial reporting.	
<b>King III Principle 3.9 – The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process</b>		
<i>External assurance providers</i>		
	The audit committee:	
3.9.1	must nominate the external auditor for appointment;	The Audit Committee nominated PricewaterhouseCoopers Inc as independent auditor and Mr DJ Fouche as the designated partner for appointment for the 2014 audit. The appointment was approved by shareholders at the annual general meeting held on 26 November 2013.
3.9.2	must approve the terms of engagement and remuneration for the external audit engagement;	The Committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2014 financial year.

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
3.9.3	must monitor and report on the independence of the external auditor;	The Committee has satisfied itself through enquiry that the auditor of DAWN is independent as defined by the Companies Act 2008, as amended, and as per the standards stipulated by the auditing profession.
3.9.4	must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services;	There is a formal procedure that governs the process whereby the auditor is considered for non-audit services and each engagement letter for such work is reviewed and approved by the Audit Committee.
3.9.5	should be informed of any Reportable Irregularities identified and reported by the external auditor; and	No Reportable Irregularities were identified and reported by the external auditors during the 2014 financial year.
3.9.6	should review the quality and effectiveness of the external audit process.	The duties of the Audit Committee include reviewing the scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors.
King III 78	The audit committee must define a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services.	There is a formal procedure that governs the process whereby the auditor is considered for non-audit services and each engagement letter for such work is reviewed and approved by the Committee.

## King III Principle 3.10 – The audit committee should report to the board and shareholders on how it has discharged its duties

### Reporting

3.10.1	The audit committee should report internally to the board on its statutory duties and duties assigned to it by the board.	The Audit Committee has written terms of reference, approved and assigned to it by the Board, that deal adequately with its membership, authority and duties. The Audit Committee reports internally to the Board on its statutory duties and the duties assigned to it by the Board.
3.10.2	The audit committee must report to the shareholders on its statutory duties:	
3.10.2.1	how its duties were carried out;	The Audit Committee Report which appears on pages 131 to 134 of the Integrated Report 2014 stipulates how the Committee carried out its duties in F2014.
3.10.2.2	if the committee is satisfied with the independence of the external auditor;	Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate the claim to independence.
3.10.2.3	the committee's view on the financial statements and the accounting practices; and	The Audit Committee has reviewed the accounting policies and the financial statements of the Group and the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The Audit Committee fulfilled its mandate and recommended the annual financial statements for the year ended 30 June 2014 for approval by the Board. The Board approved the annual financial statements on 13 October 2014.
3.10.2.4	whether the internal financial control are effective.	The Committee reported that all processes have been in place for the year under review and up to the date of the approval of the annual financial statements and the directors are not aware of and there is no known material breakdown in the functioning of the internal financial controls that has occurred during the year under review to render the control environment ineffective.
3.10.3	The audit committee should provide a summary of its role and details of its composition, number of meetings and activities, in the integrated report.	The Audit Committee Report which is published on pages 131 to 134 of the Integrated Report 2014 provides this summary.
3.10.4	The audit committee should recommend the integrated report for approval by the board.	The Audit Committee has recommended the Integrated Report 2014 for approval by the Board, which approval was granted on 6 November 2014.

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>4 THE GOVERNANCE OF RISK</b>		
<b>King III Principle 4.1 – The board should be responsible for the governance of risk</b>		
<i>The board's responsibility for risk governance</i>		
4.1.1	A policy and plan for a system and process of risk management should be developed.	The Group has adopted an ongoing, systematic and documented risk management process that ensures that all material risks are identified, evaluated, effectively managed, and where this is practical, quantified.  The Board considers the system and process of risk management to be effective and reviews the implementation of the risk management plan at least annually whilst monitoring of progress occurs at each Risk Committee meeting.
4.1.2	The board should comment in the integrated report on the effectiveness of the system and process of risk management.	The Board considers the system and process of risk management to be effective and reviews the implementation of the risk management plan at least annually whilst monitoring of progress occurs at each Risk Committee meeting. Details appear on pages 73 to 76 of the Integrated Report 2014.
4.1.3	The board's responsibility for risk governance should be expressed in the board charter.	As outlined in the Board Charter, the Board is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process, and sets the risk strategy, which is based on the need to identify, assess, manage and monitor all known forms of risk across the Group, in liaison with the executive directors and senior management.
4.1.4	The induction and ongoing training programmes of the board should incorporate risk governance.	The induction and ongoing training programmes of the Board incorporate risk governance.
4.1.5	The board's responsibility for risk governance should manifest in a documented risk management policy and plan.	The Group has adopted an ongoing, systematic and documented risk management process that ensures that all material risks are identified, evaluated, effectively managed, and where this is practical, quantified.
4.1.6	The board should approve the risk management policy and plan.	See 4.1.1 above.
4.1.7	The risk management policy should be widely distributed throughout the company.	The risk management policies are clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the Group.
4.1.8	The board should review the implementation of the risk management plan at least once a year.	The Board considers the system and process of risk management to be effective and reviews the implementation of the risk management plan at least annually whilst monitoring of progress occurs at each Risk Committee meeting.
4.1.9	The board should ensure that the implementation of the risk management plan is monitored continually.	See 4.1.8 above.
<b>King III Principle 4.2 – The board should determine the level of risk tolerance</b>		
4.2.1	The board should set the levels of risks tolerance once a year.	The Board decides the Group's appetite or tolerance for risk and has the responsibility to ensure that the Group has implemented an effective ongoing process to identify risk, to measure its impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks.
4.2.2	The board may set limits for the risk appetite.	Risk management and internal control are practised throughout the Group and are embedded in day-to-day activities.
4.2.3	The board should monitor that risks taken are within the tolerance levels.	

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 4.3 – The risk committee or audit committee should assist the board in carrying out its risks responsibilities</b>		
4.3.1	The board should appoint a committee responsible for risk.	The Board has appointed a Risk Committee.
4.3.2	The risk committee should:	
4.3.2.1	consider the risk management policy and plan and monitor the risk management process;	The Risk Committee is responsible for performing all the functions necessary to fulfil its role, including overseeing the development and annual review of a policy and the plan for risk management to recommend for approval to the Board.
4.3.2.2	have as its members executive and non-executive directors, members of senior management and independent risk management experts to be invited, if necessary;	The Risk Committee's membership constitutes as non-executive directors OS Arbee (Chairman), LM Alberts (independent) and RL Hiemstra (independent) and the executive directors being DA Tod, JAI Ferreira and CJ Bishop as a member of executive management. The Chairman of the Audit Committee is also the Chairman of the Risk Committee. The executive responsible for enterprise-wide risk, Mr JA Beukes, is an <i>ex officio</i> member of the Committee. Internal Audit has a standing invitation to meetings.
4.3.2.3	have a minimum of three members; and	The Risk Committee has six members, as outlined above.
4.3.2.4	convene at least twice per year.	The number of meetings attended by each of the members of the Risk Committee during the period 1 July 2013 to 30 June 2014 is outlined in the Corporate Governance section on page 88 of the Integrated Report 2014. Three meetings were held during the year.
4.3.3	The performance of the committee should be evaluated once a year by the board.	Every Board Committee is assessed through the annual evaluation process.
<b>King III Principle 4.4 – The board should delegate to management the responsibility to design, implemented and monitor the risk management plan</b>		
<b>Management's responsibility for risk management</b>		
4.4.1	The board's risk strategy should be executed by management by means of risk management systems and processes.	The Group has adopted an ongoing, systematic and documented risk management process that ensures that all material risks are identified, evaluated, effectively managed, and where this is practical, quantified. The Board ensures that management considers and implements appropriate risk responses.
4.4.2	Management is accountable for integrating risk in the day-to-day activities of the company.	The Risk and Compliance Officer oversees the risk management plan and ensures that it is widely disseminated throughout the Group. The management of individual Group companies sees to the integration of risk in the day-to-day activities of the respective businesses.
4.4.3	The CRO should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committees and executive management.	The Board has satisfied itself that the Chief Risk Officer, Mr JA Beukes, is suitably experienced and has access and interacts regularly on strategic matters with the Board and/or appropriate Board Committees and executive management.

## RECOMMENDED PRACTICE

## APPLY or EXPLAIN

### King III Principle 4.5 – The board should ensure that risk assessments are performed on a continual basis

#### Risk assessment

4.5.1	The board should ensure effective and ongoing risk assessments are performed.	<p>The Committee utilises a heat risk-mapping process aimed at identifying key risk areas and key performance indicators. It assesses and addresses, <i>inter alia</i>, physical and operational risk, HR risk, technology risk, business continuity and disaster recovery, credit and market risk and governance and compliance risk. This assists the Board in its assessment and management of risk.</p> <p>The risk-mapping process in each individual business includes:</p> <ul style="list-style-type: none"> <li>– ranking the top ten risks that could impact the achievement of business plans;</li> <li>– the inherent risk rating;</li> <li>– current controls in place to mitigate risks;</li> <li>– the residual risk rating;</li> <li>– evaluating the impact of the risk on the business plan as high, medium or low; and</li> <li>– the target completion date.</li> </ul>
4.5.2	A systematic, documented, formal risk assessment should be conducted at least once a year.	
4.5.3	Risks should be prioritised and ranked to focus responses and interventions.	
4.5.4	The risk assessment process should involve the risk affecting various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interest and expectations of stakeholders.	
4.5.5	Risk assessments should adopt a top-down approach.	
4.5.6	The board should regularly receive and review a register of the company's key risks.	
4.5.7	The board should ensure that key risks are quantified where practicable.	

### King III Principle 4.6 – The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks

4.6.1	The board should ensure that a framework and processes are in place to anticipate unpredictable risks.	The Board, supported by the Risk Committee, ensures that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
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### King III Principle 4.7 – The board should ensure that management considers and implements appropriate risk responses

#### Risk response

4.7.1	Management should identify and note in the risk register the risk responses decided upon.	<p>The Board ensures that management considers and implements appropriate risk responses. See 4.5 above</p>
4.7.2	Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company.	

### King III Principle 4.8 – The board should ensure continual risk monitoring by management

#### Risk monitoring

4.8.1	The board should ensure that effective and continual monitoring of risk management takes place.	<p>The Board, with the assistance of the Risk Committee, ensures that continuous risk monitoring by management takes place and risk registers are completed by each business in the Group for evaluation by the Board.</p>
4.8.2	The responsibility for monitoring should be defined in the risk management plan.	

## RECOMMENDED PRACTICE

## APPLY or EXPLAIN

### King III Principle 4.9 – The board should receive assurance regarding the effectiveness of the risk management process

#### Risk assurance

4.9.1	Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company.	The Risk Committee, given the input of the individual businesses' management and after having ensured that management considered and implemented appropriate risk responses, provides assurance to the Board that the risk management plan is integrated in the day-to-day activities of the Group.
4.9.2	Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.	Internal Audit provided a written assessment regarding the effectiveness of the system of internal controls and risk management to the Board, which enabled it to report on the effectiveness of the system of internal control – disclosed on page 5 of the annual financial statements on the web.

### King III Principle 4.10 – The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders

#### Risk disclosure

4.10.1	Undue, unexpected or unusual risks should be disclosed in the integrated report.	Disclosure appears on pages 75 and 76 of the Integrated Report and include: <ul style="list-style-type: none"> <li>– labour strike action in the mining sector;</li> <li>– financially stretched consumers continuing to limit their spend;</li> <li>– significant negative currency effect; and</li> <li>– the slowdown in the economy, where GDP growth of 2,2% in the first half of F2014 slowed to zero in the second half of F2014.</li> </ul>
4.10.2	The board should disclose its view on the effectiveness of the risk management process in the integrated report.	The effectiveness of the risk management process is disclosed on pages 73 to 76 of the Integrated Report.

## 5 THE GOVERNANCE OF INFORMATION TECHNOLOGY

### King III Principle 5.1 – The board should be responsible for information technology (IT) governance

5.1.1	The board should assume the responsibility for the governance of IT and place it on the board agenda.	The Board, assisted by the IT Steering Committee, assumes the responsibility for the governance of information technology (IT) and places it on the Board agenda.
5.1.2	The board should ensure that an IT charter and policies are established and implemented.	Formal Terms of Reference for the IT Steering Committee has been adopted by the Board.
5.1.3	The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language.	The Board, through the Executive Committee, ensures open communication between DAWN Business Systems and the other business units to promote collaborative planning.
5.1.4	The board should ensure that an IT internal control framework is adopted and implemented.	An IT governance framework for the Group has been developed by using COBIT, which provides management with an IT governance model that helps in delivering value from IT and understanding and managing the risks associated with IT.
5.1.5	The board should receive independent assurance on the effectiveness of the IT internal controls.	Internal Audit provides assurance on the effectiveness of the IT internal controls.

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 5.2 – IT should be aligned with the performance and sustainability objectives of the company</b>		
5.2.1	The board should ensure that the IT strategy is integrated with the company's strategic and business processes.	The Board, through the IT Steering Committee, has facilitated the integration of the IT strategy into Group companies' strategic and business processes. A robust process has been implemented to identify and exploit, where appropriate, opportunities to improve performance and sustainability of the Group, in line with triple bottom line objectives, through the use of IT.
5.2.2	The board should ensure that there is a process in place to identify and exploit opportunities to improve the performance and sustainability of the company through the use of IT.	
<b>King III Principle 5.3 – The board should delegate to management the responsibility for the implementation of an IT governance framework</b>		
5.3.1	Management should be responsible for the implementation of the structure, processes and mechanism for the IT governance framework.	An IT governance framework for the Group has been developed by using COBIT, which provides management with an IT governance model that helps in delivering value from IT and understanding and managing the risks associated with IT.
5.3.2	The board may appoint an IT steering committee of similar function to assist with its governance of IT.	An IT Steering Committee was established to assist the Board in its responsibility for IT governance.
5.3.3	The CEO should appoint a Chief Information Officer responsible for the management of IT.	Mr B Clark has been appointed Chief Information Office (CIO).
5.3.4	The CIO should be a suitably qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management.	Mr B Clark's qualifications include a National Diploma in Electrical Engineering: Light Current and Electronic Communication and he is currently enrolled for a BA(Hons) in Business Management through the University of Lincoln in the United Kingdom. He has eighteen years' experience in the IT industry. The CIO is a member of the IT Steering Committee.
<b>King III Principle 5.4 – The board should monitor and evaluate significant IT investments and expenditure</b>		
5.4.1	The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects.	The Board, on the recommendation of the IT Steering Committee, approved a long-term investment for the implementation of warehousing and distribution management systems as well as an Enterprise Resource Planning system across the Group to add value to the business and mitigate risks. The business value proposition is proportional to the level of investment.
5.4.2	The board should ensure that intellectual properties contained in information systems are protected.	The IT Steering Committee, as a sub-committee of the Board, ensures that the intellectual properties contained in the information systems are protected.
5.4.3	The board should obtain independent assurance on the IT governance and controls outsourced IT services.	Internal Audit reviews the Service Level Agreements that are entered into with outsourced IT service providers.
<b>King III Principle 5.5 – IT should form an integral part of the company's risk management</b>		
5.5.1	Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery.	The IT Steering Committee regularly demonstrates to the Board that the Company has adequate business resilience arrangements in the event of a disaster affecting IT.
5.5.2	The board should ensure that the company complies with IT laws and that IT related rules, codes and standards are considered.	The IT Steering Committee ensures compliance with internal policies, selected industry standards, external laws and regulations as well as identifies all personal information processed by the Company and treats this as an important business asset, including being processed in accordance with applicable laws.

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 5.6 – The board should ensure that information assets are managed effectively</b>		
5.6.1	The board should ensure that there are systems in place for the management of information which should include information security, information privacy.	An information security management system has been implemented in accordance with an appropriate information security framework.
5.6.2	The board should ensure that all personal information is treated by the company as an important business asset and is identified.	See 5.5.2 above.
5.6.3	The board should ensure that an Information Security Management System is developed and implemented.	The IT Steering Committee has approved an information security management system in accordance with an appropriate information security framework. The information security management system has been implemented at all Group companies.
5.6.4	The board should approve the information security strategy and delegate and empower management to implement the strategy.	
<b>King III Principle 5.7 – A risk committee and audit committee should assist the board in carrying out its IT responsibility</b>		
5.7.1	The risk committee should ensure that IT risks are adequately addressed.	The Risk Committee ensures that IT risks are adequately addressed and obtains appropriate assurance that controls are in place and effective in addressing IT risks.
5.7.2	The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks.	
5.7.3	The audit committee should consider IT as it relates to financial reporting and the going concern of the company.	The Audit Committee fulfils an oversight role of the risk management process and specifically oversees financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and IT risks as it relates to financial reporting.
5.7.4	The audit committee should consider the use of technology to improve audit coverage and efficiency.	The use of technology is a continuing focus area in the DAWN Group. Internal Audit uses software to improve efficiencies and controls. The implementation of eMerge, the Group's new Enterprise Resource Planning system, will allow further improvements in the effective use of technology throughout the audit process.

## RECOMMENDED PRACTICE

## APPLY or EXPLAIN

### 6 COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

#### King III Principle 6.1 – The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards

6.1.1	Companies must comply with all applicable laws.	A comprehensive compliance report is submitted to the Risk Committee twice a year, which in turn reports to the Board.
6.1.2	Exceptions permitted in laws, shortcomings and proposed changes expected should be handled ethically.	The compliance framework and processes are disclosed in the Integrated Report 2014 on page 77.
6.1.3	Compliance should be an ethical imperative.	The responsibility to facilitate compliance throughout DAWN has been delegated to the Group Risk and Compliance Officer, who supervises the Compliance Function. The Compliance Function identifies, assesses, advises on, monitors and reports on the regulatory Compliance Risk of DAWN. The management of Compliance Risk forms part of the overall risk management framework of DAWN. The Compliance Charter sets out the Group's approach to managing its compliance risks.
6.1.4	Compliance with applicable laws should be understood not only in terms of the obligation that they create, but also for the rights and protection that they afford.	
6.1.5	The board should understand the context of the law, and how other applicable laws interact with it.	
6.1.6	The board should monitor the company's compliance with applicable laws, rules, codes and standards.	This includes the undertaking to:
6.1.7	Compliance should be a regular item on the agenda of the board.	<ul style="list-style-type: none"> <li>• put in place Policies and Procedures that will assist to comply at all times with all applicable legislation, common law, industry codes and the Group's rules, policies, procedures and regulations;</li> <li>• uphold the letter of all laws and regulations wherever business is conducted and continuously strive to uphold the spirit of such laws and regulations; and</li> <li>• not participate in the violation of any laws, rules or regulations.</li> </ul>
6.1.8	The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes.	<p>DAWN supports a Compliance Model with strong coordination and support from the Group Compliance function, and with compliance officers appointed at each subsidiary.</p> <p>The compliance officers appointed in the subsidiary companies has a reporting line to their respective Boards as well as a direct line to the Group Risk and Compliance Officer.</p> <p>Senior management at all subsidiaries are required to do bi-annual self-assessments and written self-certification to the Group Risk and Compliance Officer, which coincide with the half-year and year-end reporting dates, or as required by the Group Risk and Compliance Officer.</p>

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III 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 on the company and its business</b>		
6.2.1	The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.	The induction and ongoing training programmes of the Board incorporate risk governance as well as an overview of and any changes to applicable laws, rules codes and standards on the Company to enable directors to sufficiently familiarise themselves with the general content thereof to discharge their legal duties.
6.2.2	Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties.	
<b>King III Principle 6.3 – Compliance risk should form an integral part of the company's risk management process</b>		
6.3.1	The risk of non-compliance should be identified, assessed and responded to through the risk management processes.	Compliance forms an integral part of the risk-mapping process, which includes the evaluation of the risk of non-compliance.
6.3.2	Companies should consider establishing a compliance function.	A compliance function has been established in the Group and a Group Compliance Officer has been appointed, responsible for advising and assisting the Board and management with awareness and assessing compliance with the regulatory environment.
<b>King III Principle 6.4 – The board should delegate to management the implementation of an effective compliance framework and processes</b>		
6.4.1	The board should ensure that a legal compliance policy, approved by the board, has been implemented by management.	A Compliance Framework Policy was adopted by the Board on 12 September 2012. The policy stipulates that the board of each subsidiary company in the Group appoint a Compliance Officer within each entity.
6.4.2	The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards.	The Group Compliance Officer reports to the Board on the effectiveness of the controls around compliance with laws, rules, codes and standards.
6.4.3	Compliance with laws, rules, codes and standards should be incorporated in the code of the conduct of the company.	The Code of Ethical Conduct stipulates compliance with laws, rules, codes and standards.
6.4.4	Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.	Each Compliance Officer in the respective Group companies has the following core responsibilities: <ul style="list-style-type: none"> <li>– identify specific sections of laws, rules, codes and standards that are applicable to the company;</li> <li>– analyse the aforementioned and separate it into actionable items;</li> <li>– assess the risk thereof;</li> <li>– identify controls that will provide reasonable assurance of compliance therewith; and</li> <li>– establish management priorities or actions required.</li> </ul>

RECOMMENDED PRACTICE		APPLY or EXPLAIN
6.4.5	The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity as such.	There has been no material or often repeated instances of non-compliance by either the Company or its directors in their capacity as such during the year under review.
6.4.6	An independent, suitably skilled compliance officer may be appointed.	The Group Compliance Officer, who is suitably skilled and experienced, coordinates the Group compliance function.
6.4.7	The compliance officer should be a suitably skilled and experienced person who should access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management.	Mr JA Beukes, the Group Compliance Officer, is not independent and the Board views his knowledge of the Group and matters pertaining to compliance invaluable, rendering him a suitable candidate for this position. Mr Beukes interacts regularly on strategic compliance matters with the Board, Board Committees and executive management.
6.4.8	The structuring of the compliance function, its role and its position in terms of reporting lines should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management.	The Group Compliance Officer assesses risk to ensure that legal compliance is part of all risk management workshops and procedures.
6.4.9	The compliance function should have adequate resources to fulfil its function.	The DAWN Board ensures that the compliance function within the Group is adequately resourced, including access to and funding for legal consultation, and has appropriate standing.

## 7 INTERNAL AUDIT

### King III Principle 7.1 – The board should ensure that there is an effective risk-based internal audit

#### *The need for and role of internal audit*

7.1.1	Companies should establish an internal audit function.	An Internal Audit function was established to add value and improve DAWN's operations through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit, in conjunction with the Group Financial Director and Risk and Internal Audit Officer, evaluates whistle-blowing reports submitted by KPMG and also provides a source of information, as appropriate, on any irregularities which it may encounter in the performance of its duties throughout the Group.
7.1.2	Internal audit should perform the following functions:	
7.1.2.1	evaluate the company's governance processes;	
7.1.2.2	perform an objective assessment of the effectiveness of risk management and the internal control framework;	
7.1.2.3	systematically analyse and evaluate business processes and associated controls; and	
7.1.2.4	provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.	
7.1.3	An internal audit charter should be defined and approved by the board.	An Internal Audit Charter was adopted by the Board. The Charter highlights Internal Audit's function to provide independent assurance and consulting services designed to add value and improve the Group's operations. Internal Audit assists the Group in accomplishing its objectives by: <ul style="list-style-type: none"> <li>– evaluating the Company's governance processes, including ethics, especially the 'tone at the top';</li> <li>– performing an objective assessment of the effectiveness of risk management and the internal control framework;</li> <li>– systematically analysing and evaluating business processes and associated controls; and</li> <li>– providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.</li> </ul>
7.1.4	The internal audit function should adhere to the IIA Standards and code of ethics.	Internal Audit assurance is provided through applying the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors (IIA).

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 7.2 – Internal audit should follow a risk-based approach to its plan</b>		
<i>Internal audit's approach and plan</i>		
7.2.1	The internal audit plan and approach should be informed by the strategy and risks of the company.	Internal Audit provides a written assessment regarding the effectiveness of the system of internal controls and risk management to the Board to enable it to report on the effectiveness of the system of internal control.
7.2.2	Internal audit should be independent from management.	The Internal Audit function is an independent, objective assurance and consulting activity.
7.2.3	Internal audit should be an objective provider of assurance that considers:	As an objective provider of assurance, Internal Audit considers the risks that may slow down the realisation of strategic goals as well as whether controls are in place and functioning effectively to mitigate these risks.  The effective management of the opportunities that will promote the realisation of strategic goals that are identified and assessed is the responsibility of the respective management teams in the Group.
7.2.3.1	the risks that may prevent or slow down the realisation of strategic goals;	
7.2.3.2	whether controls are in place and functioning effectively to mitigate this; and	
7.2.3.3	the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team.	
<b>King III Principle 7.3 – Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management</b>		
7.3.1	Internal audit should form an integral part of the combined assurance model as internal assurance provider.	Internal Audit co-ordinates its work with that of the other assurance providers and the external auditors are consulted in determining the activities of internal and external audit to minimise duplication of audit effort. Internal Audit makes an assessment of the adequacy of the combined assurance approach adopted by the Company, which includes the adequacy of risks covered by the different assurance providers and the reliability of the assurance provided.
7.3.2	Internal controls should be established not only over financial matters, but also operational, compliance and sustainability issues.	Internal controls have been established over the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information, including on sustainability issues.
7.3.3	Companies should maintain an effective governance, risk management and internal control framework.	Internal audit determines whether the Group's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.
7.3.4	Management should specify the elements of the control framework.	Management specifies the elements of the control framework and Internal Audit provides a written assessment of the system of internal controls to the Board and to the Audit Committee.
7.3.5	Internal audit should provide a written assessment of the system of internal controls and risk management to the board.	
7.3.6	Internal audit should provide a written assessment of the system of internal financial controls to the audit committee.	

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 7.4 – The audit committee should be responsible for overseeing internal audit</b>		
7.4.1	The internal audit plan should be agreed and approved by the audit committee.	The Audit Committee is responsible for approving the plan based on the agreed scope of work that needs to be performed.
7.4.2	The audit committee should evaluate the performance of the internal audit function.	The Audit Committee annually assesses the effectiveness of the Internal Audit function.
7.4.3	The audit committee should ensure that the internal audit function is subjected to an independent quality review.	An independent quality review of the Internal Audit function is performed every three years, with the first review having been conducted in September 2013.
7.4.4	The CAE should report functionally to the audit committee chairman.	The Chief Audit Executive (CAE) reports administratively to the Chief Executive Officer or his nominated deputy, the Risk and Compliance Officer of the Company, and reports functionally to the Audit Committee.
7.4.5	The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE.	The Audit Committee appointed Mr J Gamba as the CAE and is also responsible for his performance appraisal.
7.4.6	The audit committee should ensure that the internal audit function is appropriately resourced and has appropriate budget allocated to the function.	The annual allocation of Internal Audit resources is established on the basis of an approved Internal Audit plan.
7.4.7	Internal audit should report at all audit committee meetings.	Internal Audit has a standing invitation to all Audit Committee meetings and reports at every Audit Committee meeting.
<b>King III Principle 7.5 – Internal audit should be strategically positioned to achieve its objectives</b>		
<i>Internal audit's status in the company</i>		
7.5.1	The internal audit function should be independent and objective.	The Internal Audit function is an independent, objective assurance and consulting activity.
7.5.2	The internal audit function should report functionally to the audit committee.	The CAE reports administratively to the Chief Executive Officer or his nominated deputy, the Risk and Internal Audit Officer of the Company, and reports functionally to the Audit Committee.
7.5.3	The CAE should have a standing invitation to attend executive committee meetings.	The CAE has unlimited access to all officers of the Company, including the Chairmen of the Board and Audit Committee and the Chief Executive Officer and has a standing invitation to all Board Committee meetings, including the Executive Committee meetings.
7.5.4	The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs.	The annual allocation of Internal Audit resources is established on the basis of an approved Internal Audit plan.
7.5.5	The CAE should develop and maintain a quality assurance and improvement programme.	The CAE develops and maintains the quality assurance and improvement programmes and the Audit Committee annually assesses the Internal Audit function against the quality and relevance of the annual assessment reports.

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>8 GOVERNING STAKEHOLDER RELATIONSHIPS</b>		
<b>King III Principle 8.1 – The board should appreciate that stakeholders’ perceptions affect a company’s reputation</b>		
8.1.1	The gap between stakeholders’ perceptions and the performance of the company should be managed and measured to enhance or protect the company’s reputation.	The Board acknowledges that stakeholders’ perceptions affect the Company’s reputation. Stakeholders identified by the Board and the Group’s engagement with them are disclosed on pages 43 to 52 of the Integrated Report 2014.
8.1.2	The company’s reputation and its linkage with stakeholders’ relationship should be a regular board agenda item.	
8.1.3	The board should identify important stakeholder groupings.	
<b>King III Principle 8.2 – The board should delegate to management to proactively deal with stakeholder relationships</b>		
8.2.1	Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping.	DAWN developed a Stakeholder Engagement Framework, which aligns the Group’s engagement with its stakeholders with the King III principles.
8.2.2	The board should consider whether it is appropriate to publish its stakeholder policies.	An outline of the Stakeholder Engagement Framework is published on pages 43 to 52 of the Integrated Report 2014.
8.2.3	The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company.	See 8.2.1 above.
8.2.4	The board should encourage shareholders to attend AGMs.	The Group recognises the importance of its shareholders’ attendance at its annual general meeting and encourages their attendance at annual general meetings.
8.2.5	The board should consider not only formal but also informal, processes for interaction with the company’s stakeholders.	Stakeholders identified by the Board and the Group’s engagement with them are disclosed on pages 43 to 52 of the Integrated Report.
8.2.6	The board should disclose in its integrated report the nature of the company’s dealings with stakeholders and the outcomes of these dealings.	
<b>King III Principle 8.3 – The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company</b>		
8.3.1	The board should take account of the legitimate interest and expectations of its stakeholders in its decision-making in the best interests of the company.	DAWN developed a stakeholder engagement policy, which aligns the Group’s engagement with its stakeholders with the King III principles.
<b>King III Principle 8.4 – Companies should ensure the equitable treatment of shareholders</b>		
8.4.1	There must be equitable treatment of all holders of the same class of shares issued.	The Company ensures the equitable treatment of shareholders.
8.4.2	The board should ensure that minority shareholders are protected.	

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

RECOMMENDED PRACTICE		APPLY or EXPLAIN
<b>King III Principle 8.5 – Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence</b>		
8.5.1	Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders whilst having regard to legal and strategic considerations.	The Board regards transparent and effective communication with stakeholders as essential for building and maintaining stakeholders' trust and confidence.
8.5.2	Communication with stakeholders should be in clear and understandable language.	During the year under review no requests for information were lodged with the Company in terms of the Promotion of Access to Information Act, 2000.
8.5.3	The board should adopt communication guidelines that support a responsible communication programme.	
8.5.4	The board should consider disclosing in the integrated report the number and reasons for refusal of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000	There were no requests for information lodged with the Company in terms of the Promotion of Access to Information Act, 2000, during F2014.
<b>King III Principle 8.6 – The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible</b>		
<i>Dispute resolution</i>		
8.6.1	The board should adopt formal dispute resolution processes for internal and external disputes.	On 12 September 2012 the Board adopted an Alternative Dispute Resolution Policy. The objective is to ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.
8.6.2	The board should select the appropriate individuals to represent the company in ADR.	Any disputes pertaining to labour are addressed by DAWN HR Solutions. The individuals appointed to represent the Company in any other disputes are the Chief Operating Officer and the Risk and Compliance Officer.
<b>9 INTEGRATED REPORTING AND DISCLOSURE</b>		
<b>King III Principle 9.1 – The board should ensure the integrity of the company's integrated report</b>		
<i>Transparency and accountability</i>		
9.1.1	A company should have controls to enable it to verify and safeguard the integrity of its integrated report.	The Audit Committee oversaw the integrated reporting process, as outlined on pages 131 and 132 of the Audit Committee Report, and recommended the Integrated Report for approval by the Board. The Board approved the Integrated Report on 6 November 2014.
9.1.2.	The board should delegate to the audit committee to evaluate sustainability disclosures.	The Audit Committee's terms of reference includes its responsibility to evaluate sustainability disclosures.
	The integrated report should:	
9.1.3	be prepared every year;	The Integrated Report is prepared every year, with 2014 being DAWN's third year of presenting an Integrated Report to stakeholders. The comprehensive Sustainability Report, Annual Financial Statements and Corporate Governance Register is available on the web only, with a summary of the Sustainability Report, Abridged Annual Financial Statements and King III Chapter 2 disclosure being contained in the Integrated Report. As Integrated Reporting is an evolving process, it is DAWN's aim to introduce annual improvements to improve on the meaningfulness of content.
9.1.4	convey adequate information regarding the company's financial and sustainability performance; and	
9.1.5	focus on substance over form.	

# KING III CORPORATE GOVERNANCE REGISTER

for the year ended 30 June 2014

## RECOMMENDED PRACTICE

## APPLY or EXPLAIN

### King III Principle 9.2 – Sustainability reporting and disclosure should be integrated with the company's financial reporting

9.2.1	The board should include commentary on the company's financial results.	<p>The Integrated Report contains an introduction to the Sustainability Report with a reference to the full Sustainability Report which has been published on the DAWN website. The Board has reviewed the Group's cash flow forecast for the next 12 months and, in the light of this review and the current financial position, the Board is satisfied that the Group has or has access to adequate resources to continue in operations existence for the foreseeable future. The going concern basis has therefore been adopted in preparing the annual financial statements, as is shown on page 130 of the annual financial statements.</p> <p>Information on wealth creation and the distribution thereof is integrated throughout the report. The Review of Operations is published on pages 62 to 71 of the Integrated Report 2014.</p>
9.2.2	The board must disclose if the company is a going concern.	
9.2.3	The integrated report should describe how the company has made its money.	
9.2.4	The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report.	

### King III Principle 9.3 – Sustainability reporting and disclosure should be independently assured

9.3.1	General oversight and reporting of sustainability should be delegated by the board to the audit committee.	<p><b>Gap identified:</b> The Sustainability Report has not been overall independently assured this year and the aim is to have comprehensive external assurance in future Sustainability Reports. However, independent assurance was obtained on certain aspects. BBBEE data was assured by Empowerdex, the carbon footprint was assured by Global Carbon Exchange and financial information was extracted from the Group's annual financial statements which were audited by PricewaterhouseCoopers Inc. Internal Audit reviewed the Sustainability Performance Data provided on pages 34 to 39 of the Sustainability Report. EcoPartners provided an assessment of DAWN's 2014 Safety, Health and Environmental programmes.</p>
9.3.2	The audit committee should assist the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report.	
9.3.3	The audit committee should oversee the provision of assurance over sustainability issues.	