KING IV

Introduction

Merafe is committed to high standards of corporate governance and it endorses the four governance outcomes set out in King IV, namely an ethical culture, good performance, effective control and legitimacy.

King IV register

The register set out below provides an overview of Merafe's application of the principles contained in King IV. The register should be read in conjunction with the Merafe Integrated Report 2017.

Leadership	
Principle 1 The governing body should l**ead ethically and effectively.**	The Merafe Board ("the Board") leads ethically and effectively. Disclosure of interests is a standard agenda item at board and committee meetings and there is an annual declaration by all directors. Further, a Code of Ethics in place which applies to all directors and all employees. It is displayed on Merafe's website. There is also a Director Induction and Training Programme, which is reviewed annually. Further, various aspects of Principle 1 are covered in Merafe's Board Charter and other key documents. The Board leads ethically and effectively. The Code of Ethics and the Board Charter are on Merafe's website and form part of the 2017 online integrated report (this "report").
Organisational ethics	
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of **an ethical culture.**	The ethical tone at Merafe is set by the Board and applies throughout the organisation. Although Merafe's Code of Ethics applies to all directors and employees, it has not yet been extended to suppliers. This will be a focus area in 2018. There is a Whistle Blowing Line and reports are provided to the Social, Ethics and Transformation Committee and the Audit and Risk Committee on a confidential basis. In respect of any ethical breaches discovered by staff and the external auditors, the relevant laws and regulations are applied. More information on Merafe and the Ventures Whistle Blowing Policy is on our website.
Responsible corporate citizen	
Principle 3 The governing body should ensure that the organisation is and is seen to be a **responsible corporate citizen.**	The Board's approach to being a responsible corporate citizen is supported by various policies and the work done by the Social, Ethics and Transformation Committee. Various safety, health, environmental and community aspects are covered by the above committee with inputs from the Venture as set out in this report.

Strategy and performance	
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development *are all inseparable elements* of the value creation process.	The Board recognises that all these elements are inseparable, and Merafe follows the six capitals approach as described in this report. This integrated approach is taken by the Board at its meetings, strategy sessions and committee meetings. All budgets and strategic plans (medium and longer term) are approved by the Board. Risks and opportunities are covered in strategy sessions and meetings of the Audit and Risk Committee and the Board in an integrated manner.
Reporting	
Principle 5 The governing body should ensure that *reports issued* by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Board is responsible for the integrity of the information contained in this report and other reports including the annual financial statements, interim and year-end results presentations. It is assisted in this regard by the Board Committees which review and recommend their respective reports to the Board in accordance with their terms of reference. Reports are provided in printed and online form. The approved reporting framework is set out on page 1 of this report. Merafe also applies GRI. Matters material to Merafe are reflected in this report at pages 7 and 8 of this report.
Primary role of the board	
Principle 6 The governing body should serve as the *focal point and custodian of corporate governance* in the organisation.	The Board is the focal point and custodian of corporate governance in the Company. Various key policies supporting the strategy are in place. The Board has an annual strategy session and performance is measured against agreed targets. The Board oversees the implementation and execution of the strategy by management. The Board has a Board Charter, a copy of which is on our website, and which is reviewed annually against best practices. It plans to measure the discharge of its duties against the Board Charter in the year ahead.
Composition of the board	
Principle 7 The governing body should comprise the *appropriate balance of knowledge, skills, experience, diversity and independence* for it to discharge its governance role and responsibilities objectively and effectively	Assisted by the Remuneration and Nominations Committee, the Board reviews its knowledge, skills, experience, diversity and independence annually, or as circumstances change. The Company has a Diversity Policy and has set targets in this regard. The Board comprises a majority of non-executive directors, most of whom are independent. The King IV recommendations for director independence, board composition, chair, induction and training, managing conflicts and nomination and appointments are met. Merafe will appoint the Chairperson of the Remuneration Committee as the Lead Independent Director during 2018.

Committees of the board	
Principle 8 The governing body should ensure that its arrangements for ***delegation within its own structures*** promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Merafe has three standing board committees (as described in this report on pages 38 and 39), to which specific duties and responsibilities have been delegated. They operate under written terms of reference which are reviewed annually and are on our website. The composition of the Board and committees are in line with King IV, the Companies Act and the JSE Listings Requirements, as applicable.
Board performance evaluation	
Principle 9 The governing body should ensure that the ***evaluation of its own performance*** and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The performance and effectiveness of the Board and its committees are reviewed annually. This process comprises a self-evaluation questionnaire and is co-ordinated and reported on by the Company Secretary. Areas for improvement are documented and actioned. Formal performance reviews of individual directors and the board chair are planned in 2018.
Appointment and delegation to management	
Principle 10 The governing body should ensure that the appointment of, and ***delegation to, management*** contribute to role clarity and the effective exercise of authority and responsibilities.	The Board Charter sets out matters reserved for the Board and is reviewed annually. In addition, there is a Corporate Approvals Framework (approved by the Board and reviewed annually) which sets out matters delegated to management and those reserved for the Board. The Board appoints the CEO and the incumbent is accountable to the board for leading the implementation of strategy, policy and running the day to day business of the Company. The King IV recommendations for the CEO in respect of appointment, roles and responsibilities, succession planning and performance evaluation are complied with regards to the company secretary, we refer to you to our reporting of 3.84 (h) of the JSE Listings Requirements on page 40 of this report.
Risk governance	
Principle 11 The governing body should ***govern risk*** in a way that supports the organisation in setting and achieving strategic objectives.	The Board governs and is responsible for risk. It is assisted by the Audit and Risk Committee, which evaluates risk and guides the Board. Merafe has a Risk Management Policy and Framework, a detailed Risk Register and also a Tax Risk Register. Risk matters are a standard agenda item at every Audit and Risk Committee and Board meeting. In this regard we refer you to pages 7 and 8 (Material Matters) and 48 (Approach to Risk Management) of this report. Opportunities flowing from risk assessments form part of the overall approach to risk governance. Emerging risk trends are identified and monitored regularly.

Technology and information governance	
Principle 12 The governing body should **govern technology and information** in a way that supports the organisation setting and achieving its strategic objectives.	IT Governance is a standard agenda item at meetings of the Audit and Risk Committee. Merafe has a very small head office but is reliant on technology. Various IT related policies are in place and due to the small head office, integration of IT and business occurs. Merafe (as opposed to the Venture) has limited investment in technology but is aware of its importance and also the need to protect information.
Compliance governance	
Principle 13 The governing body should **govern compliance** with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board governs compliance, which is monitored by combination of management controls, compliance via the Venture, external audit, sponsors and the company secretary. There is no dedicated in-house compliance function nor is one required, given Merafe's size and structure. Merafe relies on processes within the Venture. Compliance is a standard agenda item for the Audit and Risk Committee, which reports to the Board.
Remuneration governance	
Principle 14 The governing body should ensure that the organisation **remunerates fairly,responsiblyand transpare ntly** so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Board takes responsibility for remuneration governance. It is assisted by the Remuneration and Nominations Committee, which oversees that the organisation remunerates fairly, responsibly and transparently so as to promote the delivery of strategic objectives and the creation of value in a sustainable manner. It makes recommendations to the Board in this regard. The Remuneration Report is set out on pages 42 to 47 of this report.
Assurance	
Principle 15 The governing body should ensure that **assurance services and functions** enable an effective control environment, and that these support the **integrity of information** for internal decision-making and of the organisation's external reports.	Merafe follows a combined assurance model, with assurance being provided by management, the Merafe auditors, the Venture's internal audit function and the external auditors. Oversight on assurance is provided by the Audit and Risk Committee who report to the Board. For more information please see pages1 and 40 of this report. Merafe has no Internal Audit function, as this is not justified taking account of the size, complexity and risk profile of the Company. In this regard, annually, management provides a memorandum to the Audit and Risk Committee on its views of the Merafe internal control environment. Special ad hoc internal audits by an external firm are considered on a case by case basis. Merafe also receives a statement from a Competent Person on the Mineral Resources and Mineral Reserves as well as other assurance as set out on page 49 of this report.

Stakeholders	
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a ***stakeholder-inclusive approach*** that balances the needs, interests and expectations of ***material stakeholders*** in the best interests of the organisation over time.	The Board has identified its key stakeholders and material issues and risks that could impact the stakeholders of Merafe and the Venture, as set out in on pages 7 and 8 of this report. The methods of engaging with stakeholders and issues arising from these engagements is set out in a table referred to in the 2017 integrated online report There is ongoing engagement with shareholders via various mechanisms, including interim / year-end reports, the Integrated Report, presentations, quarterly reports, shareholder meetings and the AGM. A stakeholder framework and policy are under consideration by the Board and will be an area of focus in 2018.

We recognise that this is the first step of our King IV journey and the Board will be spending further time in 2018 analysing our practices to support the various principles and outcomes in terms of King IV.