

CORPORATE GOVERNANCE

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that Montauk manages its business. Stakeholders' interests are balanced against effective risk management and Montauk's obligations to ensure ethical management and responsible control.

ETHICS

The Montauk board of directors is committed to the principles of good corporate governance. Ethical behaviour in Company undertakings is maintained by all directors, officers and staff in accordance with the Group's ethics policy. The policy requires that individual employees comply with all relevant legal requirements and regulations that apply to their area of work and provides guidance on matters such as respecting intellectual property rights and avoiding conflict of interest. Montauk acknowledges and understands that the operation of its businesses requires a shared set of core values and ethical conduct to which each employee is held accountable.

The directors of the Company are accountable to act in accordance with the Group's directors' code of conduct. The governing principles are broadly defined as standards of diligence and good faith.

The board endorses the Code of Corporate Practices and Conduct set out in the King III Report on Corporate Governance for South Africa ("King III").

The board acknowledges its responsibility to ensure the integrity of the integrated annual report, believes that it addresses all material issues and that it fairly represents the integrated performance of Montauk. The Company's commitment to good corporate governance is formalised in its charter and policies.

As a corporate citizen, Montauk has a responsibility to conduct its affairs with diligence and responsibility, and to safeguard the interests of all stakeholders.

The board is accountable for the strategy, direction and corporate behaviour of the Company. This includes oversight over policies and procedures that promote Company conduct in accordance with the Company's code of ethics.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk. The Group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at the Group's subsidiaries to ensure adherence to the various legislations and regulations that

govern the day-to-day operations. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed.

BOARD OF DIRECTORS

The board is regulated by a formal board charter, which sets out the role of the board and the responsibilities of the directors. While control is delegated to the executive committee in the day-to-day management of the Group, the board retains full and effective control over the Company and is accountable and responsible for its performance. The board charter codifies the board's composition, appointment, authorities, responsibilities and processes, and sets out the fiduciary duties of the directors of the Company. It provides the board with a mandate to exercise leadership, determine the Group's vision and strategy and monitor operational performance.

Composition of the board

The roles of chairman and chief executive officer are separate and the composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. The board each year evaluates its composition to ensure an appropriate mix of skills and experience.

The board comprises eight members of whom six are non-executive directors. Three of the non-executive directors are also independent directors. Principle 2.16 of King III recommends that the board should elect a chairperson who is an independent non-executive director. The board has appointed a non-executive chairperson and in terms of the definition, he is not regarded as independent. The board is of the opinion that the experience and specialist knowledge of the industry makes it appropriate for him to hold this position. The board has appointed Mr MH Ahmed as lead independent non-executive director effective on the date of listing on the JSE. The independence of the directors classified as "independent" was evaluated by weighing all relevant factors, including length of services on the board, which may impair independence.

The executive directors are Mr DR Herrman, (chief executive officer) and Mr SF McClain (chief financial officer).

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved best practice principles, as contained in King III, are applied where applicable.

No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. The Company, in general meeting, may appoint any person to be a director subject to the provisions of the Company's MOI.

The boards of the Company's major subsidiaries are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

The board is evaluated on an annual basis by the remuneration committee, on both an individual and a collective basis. In turn, the board evaluates the performance and effectiveness of board subcommittees.

There were a number of changes to the directorate during the year under review in anticipation of the unbundling and separate listing of the Company by its previous holding company, HCI. These changes were:

Directors appointed on 31 August 2014:

DR Herrman
 SF McClain
 MA Jacobson
 A van der Veen
 NB Jappie
 BS Raynor

Mr MH Ahmed resigned on 1 May 2014 and was reappointed on 31 August 2014.

Directors that resigned on 1 May 2014:

MJA Golding
 Y Shaik
 JG Ncgobo
 VE Mphande

Mr TG Govender resigned on 31 August 2014.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A list of directors' interest is tabled annually.

The directors are entitled to seek independent professional advice at the Company's expense concerning the Company's affairs and have access to any information they may require in

discharging their duties as directors. In terms of the Company's MOI, one-third of directors must retire at every annual general meeting and are eligible for re-election. The directors who retire shall be those who have been longest in office since their last election. Any director who has held office for three years since the last election shall also retire at the conclusion of the annual general meeting. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office. Any casual vacancy occurring on the board may be filled by the board, but the individual so appointed shall cease to hold office at the termination of the first shareholders' meeting to be held after the appointment of such individual as a director unless he/she is elected at such shareholders' meeting. As a result, the directors retiring at the forthcoming annual general meeting and who offer themselves for re-election, are Messrs JA Copelyn, DR Herrman, SF McClain, MH Ahmed, Ms NB Jappie, Messrs MA Jacobson, A van der Veen and BS Raynor. The name and brief curriculum vitae of each director appear on pages 6 and 7 of this report.

In terms of the Company's MOI, there is no mandatory retirement age for non-executive directors. No director has a fixed term of appointment with the Company.

Meetings of the board

Due to the proximity of the Company's date of listing on the JSE to the reporting date, the board met once during the year under review, on 25 February 2015. The meeting was attended by all board members. The board has met once subsequent to the reporting date.

The directors are comprehensively briefed in advance of the meetings and are provided with all necessary information to enable them to discharge their responsibilities.

BOARD COMMITTEES

Three board committees and an executive committee have been established to assist the board in discharging its responsibilities. In line with King III, all board committees comprise only members of the board but appropriate personnel may be invited to the meetings as required. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These committees play an important role in enhancing good corporate governance and improving internal controls and, consequently, the Company's performance. Each board committee must act according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, and duties and reporting procedures.

CORPORATE GOVERNANCE continued

Audit and risk committee

Members: MH Ahmed (chairman), NB Jappie and BS Raynor.

The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. The committee also assists the board in discharging its responsibilities by considering reports and information generated by the subsidiary companies' audit or finance committees to their respective boards.

The committee's objectives are to assist the board in fulfilling its fiduciary duties with regard to:

- reviewing the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewing legal matters that could have a significant impact on the Group's financial statements;
- reviewing the external audit reports on the annual financial statements;
- verifying the independence of the external auditor, namely Grant Thornton Johannesburg Partnership;
- approving the audit fees and engagement terms of the external auditor;
- oversight of the integrated annual reporting as well as the evaluation of the significant judgements and reporting decisions affecting the integrated annual report;
- reviewing the expertise, resources and experience of the Company's finance function; and
- determining the nature and extent of allowable non-audit services and approving the contract terms for the provision of non-audit services by the external auditor.

All the members of the committee are independent non-executive directors. All members act independently as described in section 94 of the Companies Act.

A report by the audit and risk committee has been provided on page 22 of this report.

Remuneration committee

Members: MH Ahmed (chairman), JA Copelyn and NB Jappie.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors. It takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. The committee may

utilise the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management.

Functions and mandates of the remuneration committee include:

- making recommendations to the board regarding directors' fees and the remuneration and service conditions of executive directors, including the chief executive officer;
- providing a channel of communication between the board and management on remuneration matters;
- reviewing the Group's remuneration policies and practices and proposals to change these and to make recommendations in this regard to the board;
- reviewing and approving the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies;
- determining and approving any grants to executive directors and other senior employees; and
- reviewing and approving any disclosures in the annual report or elsewhere on remuneration policies or directors' remuneration.

All the members of the committee are non-executive directors. In line with the recommendations of King III the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made in which he is affected.

A report by the remuneration committee has been provided on page 24 of this report.

Social and ethics committee

Members: JA Copelyn (chairman), DR Herrman and NB Jappie.

The committee's functions are in line with the requirements of the Companies Act. A report by the social and ethics committee has been provided on page 26 of this report.

Executive committee

The committee's primary objectives are to assist the board in the daily management of the Group, including the allocation and investing of the Group's resources.

The executive committee comprises Messrs DR Herrman (director), SF McClain (director) and M Ryan.

CHIEF FINANCIAL OFFICER

Mr SF McClain, an executive director, is the chief financial officer of the Group. The audit and risk committee has considered his expertise and experience and deems it appropriate. The committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

COMPANY SECRETARY

HCI Managerial Services Proprietary Limited, a juristic person, is the appointed company secretary of the Group and appointed by the board in terms of the Companies Act and in accordance with JSE Listings Requirements. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretariat and is satisfied that they have the competence, qualifications and experience to effectively fulfill the role of company secretary. The company secretary provides support and guidance to the board in matters relating to governance, ethical conduct and fiduciary duties. Where required, the secretary facilitates induction and training for directors and co-ordinates the annual board evaluation process. Directors have unrestricted access to the advice and services of the company secretary whilst maintaining an arm's length relationship between the board and the company secretary.

DEALING IN THE COMPANY'S SECURITIES

Montauk complies with the continuing obligations of the Listings Requirements of the JSE. A Group-wide share trading policy is in place whereby all directors and employees who have access to financial results and other price-sensitive information are prohibited from dealing in Montauk shares during certain prescribed restricted periods as defined by the JSE or when the Company is operating under a cautionary announcement. The company secretary disseminates written notices to inform these employees of the insider trading legislation and advise of closed periods. All directors and senior executives are required to obtain written clearance prior to the dealing in shares of the Company and to report all share dealings to the company secretary to ensure that all such dealings are disclosed in terms of the applicable JSE Listings Requirements.

CONFLICTS OF INTEREST

The directors are required to avoid situations where they have direct or indirect interests that conflict or may conflict with the Group's interests. Procedures are in place for disclosure by directors of any potential conflicts and for appropriate authorisation to be sought if conflict arises.

COMPLIANCE WITH LAWS, CODES AND STANDARDS

Montauk respects and complies with the laws of the countries in which it operates. This includes corporate laws, common law as well as specific laws. The Group operates in a highly regulated environment and, where necessary, compliance officers have been appointed to ensure adherence to the various Acts and Codes that govern the day-to-day operations.

DISCLOSURES

To ensure shareholder parity Montauk ensures that accurate and timely disclosure of information that may have a material effect on the value of its securities or influence investment decisions is made to all shareholders. The Company publishes details of its corporate actions and performance via the Securities Exchange News Service ("SENS") and in the main South African daily newspapers. The Company maintains a website through which access is available to the broader community on the Company's latest financial, operational and historical information, including its integrated annual report.

LITIGATION

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of Montauk.

GOVERNANCE OF INFORMATION TECHNOLOGY

Due to the inherent risks in information technology ("IT"), King III has recommended that the board of directors be responsible for the assessment, implementation and monitoring of IT within the Company. IT governance is the responsibility of the board of directors, forms an integral part of the Group's risk management and is assisted by the audit and risk committee in carrying out its IT responsibilities. The board of directors of Montauk acknowledges the need for an IT policy which, if effectively managed, can streamline and add value to the underlying businesses. The board is assisted by management in the implementation of an IT policy. A governance framework for implementation at subsidiary level will be considered for approval by the board in due course. At a holding Company level, Montauk does not believe it is necessary to employ a chief information officer, as recommended by King III. The audit and risk committee is responsible for the monitoring of IT compliance within the Group.

CORPORATE GOVERNANCE continued

APPLICATION OF KING III PRINCIPLES

Montauk believes that, in all material respects, it complies with the major recommendations of the code to ensure that sound corporate governance and structures are applied within the Group. Alternatives to the King III recommendations can be applied to further the best interests of the Company, as long as the overarching principles of good corporate governance are achieved. More detailed explanations have been accorded below to those principles which have not materially complied with recommendations by King III. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the Group are conducted with transparency and integrity.

The JSE Listings Requirements require all JSE-listed companies to provide a narrative of how it has applied the recommendations contained in King III. The following is an overview of the principles of King III and how they apply to Montauk:

PRINCIPLE		LEVEL OF COMPLIANCE	RESPONSE
1. Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation.	C	Applied. The board is committed to promoting the highest standard of ethical behaviour. A formal board charter, as recommended by the Code of Corporate Practices and Conduct, has been adopted. The charter includes a code of ethics to which all directors subscribe.
1.2	The board should ensure that the Company is and is seen to be a responsible corporate citizen.	C	Applied. The board is the guardian of the values and ethics of the Company and its investees and should ensure that the Company is and is seen to be a responsible corporate citizen.
1.3	The board should ensure that the Company's ethics are managed effectively.	C	Applied. Ethical principles are applied by the board during decision-making.
2. Board and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.	C	Applied. The board serves as the custodian of good governance and always ensures that its endeavours are directed at achieving sustainable value for the Company in a transparent and responsible manner.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	C	Applied. Strategy, risk, performance and sustainability are considered collectively by the board in the decision-making process and the monitoring of the Group's performance. In terms of its formal charter the board's responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance.
2.3	The board should provide effective leadership based on an ethical foundation.	C	Applied. Ethics form part of the values of the Company and the board.
2.4	The board should ensure that the Company is and is seen to be a responsible corporate citizen.	C	Applied. The board ensures that the Company is a responsible corporate citizen.
2.5	The board should ensure that the Company's ethics are managed effectively.	C	Applied. Ethics are the responsibility of the board as a whole.
2.6	The board should ensure that the Company has an effective and independent audit committee.	C	Applied. The audit and risk committee consists of three independent non-executive directors. The audit and risk committee members all have the necessary experience and skills to serve on an audit committee.

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
2.7 The board should be responsible for the governance of risk.	C	Applied. The board's responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance.
2.8 The board should be responsible for information technology ("IT") governance.	C	Applied. The board as a whole is responsible for IT governance.
2.9 The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	C	The board has a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its businesses, which enables the board to ensure that the Company complies with all applicable laws, codes and standards.
2.10 The board should ensure that there is an effective risk-based internal audit.	X	Not applied. As a result of the fact that Montauk was a subsidiary of HCI and it did not have to perform its own internal audit, it does not have an established internal audit function. The board and audit committee are assessing the need for establishing such a function.
2.11 The board should appreciate that stakeholders' perceptions affect the Company's reputation.	C	Applied. The board monitors stakeholders' perceptions, in light of the importance of the Company's reputation.
2.12 The board should ensure the integrity of the Company's integrated report.	C	Applied. The Company has issued an integrated annual report.
2.13 The board should report on the effectiveness of the Company's system of internal controls.	C	Applied. The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk.
2.14 The board and its directors should act in the best interests of the Company.	C	Applied. The board acts in the best interests of the Company.
2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	C	Applied. This will be considered, if applicable.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board.	X	Not applied. The Company has appointed a separate chairman and this role is not fulfilled by the CEO. The board has appointed a lead independent director as the chairman is not independent.
2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority.	C	Applied. The board has appointed a CEO and a framework for the delegation of authority has been established.
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.	C	The board comprises eight members of whom six are non-executive directors. The composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. The board each year evaluates its composition to ensure an appropriate mix of skills and experience.

CORPORATE GOVERNANCE continued

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
2.19 Directors should be appointed through a formal process.	C	Applied. New directors are subject to a “fit and proper” test. An informal orientation programme is available to incoming directors. No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. The Company, in general meeting, may appoint any person to be a director, subject to the provisions of the MOI.
2.20 The induction of and ongoing training and development of directors should be conducted through formal processes.	C	Applied. New directors are subject to a “fit and proper” test. An informal orientation programme is available to incoming directors.
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary.	C	Applied. The board has considered and satisfied itself of the competence, qualifications and experience of the company secretary. The specific steps the directors took included evaluating the experience of the company secretary, including the relevant experience exhibited by the executives and employees of the company secretary.
2.22 The evaluation of the board, its committees and the individual directors should be performed every year.	U	As a result of the fact that Montauk was a subsidiary of HCI until recently, the board and its committees have only recently been appointed and constituted and at the reporting date no evaluation of the board, directors or committees have been performed yet. The board, its committees and individual directors will be evaluated annually.
2.23 The board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	C	Applied. Committees make recommendations which are approved at board level.
2.24 A governance framework should be agreed between the Group and its subsidiary boards.	U	As a result of the fact that Montauk was a subsidiary of HCI until recently, the board and its committees have only recently been appointed and constituted and at the reporting date no governance framework has been agreed yet. The board will, however, endeavour to agree a governance framework for the Company and its subsidiaries within the next financial year.
2.25 Companies should remunerate directors and executives fairly and responsibly.	C	Applied. The remuneration committee takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives.	C	The directors’ fees and remuneration is disclosed in the integrated annual report.

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
2.27 Shareholders should approve the Company's remuneration policy.	P	Remuneration paid to non-executive directors of the Company is subject to approval by shareholders at the annual general meeting of the Company. The future remuneration of executive management will be determined in accordance with Group remuneration policies as determined by the remuneration committee from time to time.
3. Audit committee		
3.1 The board should ensure that the Company has an effective and independent audit committee.	C	Applied. The audit and risk committee consists of three independent directors.
3.2 Audit committee members should be suitably skilled and experienced independent, non-executive directors (subsidiary exemption).	C	Applied. The audit and risk committee members have extensive business experience and specialist skills across a range of sectors. This enables them to provide balanced and independent advice and judgement in the decision-making process. All members are independent non-executives.
3.3 The audit committee should be chaired by an independent non-executive director.	C	Applied. The audit and risk committee is chaired by an independent non-executive director.
3.4 The audit committee should oversee the integrated reporting (integrated reporting, financial, sustainability and summarised information).	C	Applied. The audit committee oversees same as set out in the objectives of the audit and risk committee.
3.5 The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report.	C	Applied. The audit and risk committee is responsible for evaluating the significant judgements and reporting decisions affecting the integrated annual report.
3.6 The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents.	C	Applied. The audit and risk committee reviews annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents released by the Company.
3.7 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	C	Applied. The audit and risk committee of the Company has been mandated to ensure that a combined assurance model is applied.
3.8 The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	C	Applied. The audit and risk committee has satisfied itself in this regard.

CORPORATE GOVERNANCE continued

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
3.9 The audit committee should be responsible for overseeing of internal audit.	C	Applied. The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. To the extent that an internal audit function is established, the audit committee is mandated with its oversight.
3.10 The audit committee should be an integral component of the risk management process.	C	Applied. Forms part of the role and responsibility of the audit and risk committee.
3.11 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	C	Applied. Forms part of the role of the audit and risk committee.
3.12 The audit committee should report to the board and shareholders on how it has discharged its duties.	C	Applied. The audit and risk committee reports annually on the discharge of their duties to the board.
4. The governance of risk		
4.1 The board should be responsible for the governance of risk.	C	Applied. The board acknowledges that it is accountable for the process of risk management.
4.2 The board should determine the levels of risk tolerance.	C	Applied. Risk levels are discussed at board level.
4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	C	Applied. The audit and risk committee will assist the board in carrying out its risk responsibility.
4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	C	Applied. Where necessary, compliance officers have been appointed at the Group's subsidiaries to ensure adherence to the various Acts and Codes that govern the day-to-day operations.
4.5 The board should ensure that risk assessments are performed on a continual basis.	C	Applied. The board performs risk assessment on a continual basis.
4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	C	Applied. All risk factors within the current business model are continually monitored.
4.7 The board should ensure that management considers and implements appropriate risk responses.	C	Applied. Responses are monitored and preventative measures implemented to the extent possible.
4.8 The board should ensure continual risk monitoring by management.	C	Applied. Risk monitoring forms part of planning and decision-making by management.
4.9 The board should receive assurance regarding the effectiveness of the risk management process.	C	Applied. This occurs at board level.
4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	C	Applied. Through the financial, governance and sustainability information published in the integrated annual report the board endeavours to accurately, completely and timely disclose the risks relevant to the Group and its stakeholders.

PRINCIPLE	LEVEL OF COMPLIANCE RESPONSE	
5. The governance of information technology		
5.1	The board should be responsible for information technology ("IT") governance.	C Applied. The board is responsible for IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	C Applied. Objectives are aligned.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	C Applied. The board is assisted by management in the implementation of an IT policy. A governance framework will be considered for approval by the board in future.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	C Applied. The board receives the budget and progress reports for all material IT-related investments.
5.5	IT should form an integral part of the Company's risk management.	C Applied. IT is considered as part of risk management.
5.6	The board should ensure that information assets are managed effectively.	C Applied. The board has appointed an audit and risk committee which will assist it to carry out its responsibilities.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	C Applied. The board has appointed the audit and risk committee which will assist it to carry out its IT responsibilities.
6. Compliance with laws, codes, rules and standards		
6.1	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	C Applied. The board considers applicable laws, codes, rules and standards, and changes thereto. Compliance with laws is embedded within the internal controls and processes of the operations of the business. Any material non-compliance is reported to the board as and when the executive directors become aware of such.
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.	C Applied. The board and each individual director have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.
6.3	Compliance risk should form an integral part of the Company's risk management process.	C Applied. Compliance forms part of the process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	C Applied. Where necessary, compliance officers have been appointed at the Group's subsidiaries to ensure adherence to the various Acts and Codes that govern the day-to-day operation.

CORPORATE GOVERNANCE continued

PRINCIPLE	LEVEL OF COMPLIANCE RESPONSE	
7. Internal audit		
7.1 The board should ensure that there is an effective risk-based internal audit.	X	Montauk has no internal audit function although the board and audit committee are assessing the need for establishing such a function.
7.2 Internal audit should follow a risk-based approach to its plan.	X	Montauk has no internal audit function although the board and audit committee are assessing the need for establishing such a function.
7.3 Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management.	X	Montauk has no internal audit function although the board and audit committee are assessing the need for establishing such a function.
7.4 The audit committee should be responsible for overseeing internal audit.	X	Montauk has no internal audit function although the board and audit committee are assessing the need for establishing such a function.
7.5 Internal audit should be strategically positioned to achieve its objectives.	X	Montauk has no internal audit function although the board and audit committee are assessing the need for establishing such a function.
8. Governing stakeholder relationships		
8.1 The board should appreciate that stakeholders' perceptions affect a Company's reputation.	C	Applied. The board monitors stakeholders' perceptions in light of the importance of the Company's reputation.
8.2 The board should delegate to management to proactively deal with stakeholder relationships.	C	Applied. Stakeholder relationships are critical for the Company and the executive team manages these proactively.
8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	C	Applied. All stakeholders are considered during decision-making.
8.4 Companies should ensure the equitable treatment of shareholders.	C	Applied. Equitable treatment of shareholders is important and considered during decision-making.
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	C	Applied. Communication with stakeholders is the responsibility of the board.
8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	C	Applied. The board remains informed of any disputes and strive to ensure that they are resolved efficiently.

PRINCIPLE		LEVEL OF COMPLIANCE	RESPONSE
9. Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the Company's integrated report.	C	Applied. The board ensures due care in the compilation of the report.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	C	Applied. Information relating to sustainability matters is included in the integrated annual report.
9.3	Sustainability reporting and disclosure should be independently assured.	U	Although some of the information provided in relation to sustainability matters has not been independently assured, the board has taken care to use reliable sources for this information. The Company will evaluate the need for independent assurance on sustainability reporting in the future.

C = Compliant; P = Partially compliant; U = Under review; X = Not compliant.

Notes:

1. The chairman of the board is not an independent non-executive director because of his position as CEO of HCI, the Company's previous holding company. A lead independent director has been appointed.
2. Due to the size of the Group's operations and centralised finance and administration functions Montauk has no internal audit function although the board and audit and risk committee are assessing the need to establish such a function.