

CORPORATE GOVERNANCE

Analysis of the application of the 75 corporate governance principles as recommended in the King III Report

Area	Requirement	Status	Reference are to Annual Integrated Report 2016
1 Ethical leadership and corporate citizenship			
Responsible leadership	1.1 The board should provide effective leadership based on an ethical foundation	Applied	Pages 3; 33-39
	1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	Pages 3; 18-19; 21-31; 33-39
	1.3 The board should ensure that the company's ethics are managed effectively	Applied	Pages 26; 33-49
2 Board and directors			
Role and function of the board	2.1 The board should act as the focal point for and custodian of corporate governance	Applied	Pages 33-49
	2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	Pages 18-19; 21-31; 33-39
	2.3 The board should provide effective leadership based on an ethical foundation	Applied	Pages 18-19; 21-31; 33-49
	2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	Pages 18-19; 21-31; 33-49
	2.5 The board should ensure that the company's ethics are managed effectively	Applied	Pages 18-19; 21-31; 33-49
	2.6 The board should ensure that the company has an effective and independent audit committee	Applied	Pages 33-44
	2.7 The board should be responsible for the governance of risk	Applied	Pages 33-39; 42-44
	2.8 The board should be responsible for information technology (IT) governance	Applied	Pages 33-39; 44
	2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	Pages 21-31; 33-49
	2.10 The board should ensure that there is an effective risk-based internal audit	Alternative procedures followed	EOH does not have a dedicated internal audit function. Refer to alternative procedures as per pages 40-41
	2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	Pages 21-31; 33-49
	2.12 The board should ensure the integrity of the company's integrated report	Applied	Pages 2; 33-49; 53
	2.13 The board should report on the effectiveness of the company's system of internal controls	Applied	Pages 33-49; 52-53
	2.14 The board and its directors should act in the best interests of the company	Applied	Pages 33-49
	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	Applied	Pages 33-49
	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	Applied Partially	Pages 33-49 The Chairman of the Board is a non-executive director. Rob Sporen is an independent non-executive director and acts as the Lead Independent Non-Executive Director. He chairs of the Audit Committee; Risk and Governance Committee; Remuneration Committee; Nominations Committee and Social and Ethics Committee
	2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	Pages 33-49



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Composition of the board	2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	Pages 33-39
Board appointment process	2.19 Directors should be appointed through a formal process	Applied	Pages 33-49
Director development	2.20 The induction of and ongoing training and development of directors should be conducted through formal processes	Applied	Pages 33-49; 45-47
Company secretary	2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	Page 38
Performance assessment	2.22 The evaluation of the board, its committees and the individual directors should be performed every year	Applied	Pages 33-49
Board committees	2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	Pages 33-49
Group boards	2.24 A governance framework should be agreed between the group and its subsidiary boards	Applied	Page 38
Remuneration of directors and senior executives	2.25 Companies should remunerate directors and executives fairly and responsibly	Applied	Pages 45-47
	2.26 Companies should disclose the remuneration of each individual director and prescribed officer	Applied	Pages 45-47; 93-97
	2.27 Shareholders should approve the company's remuneration policy	Applied Partially	Pages 45-47 Remuneration payable to non-executive directors is approved by shareholders
3 Audit committees			
Membership and resources of the audit committee	3.1 The board should ensure that the company has an effective and independent audit committee	Applied	Pages 40-41
	3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	Pages 34-35; 40-41
	3.3 The audit committee should be chaired by an independent non-executive director	Applied	Pages 40-41
Responsibilities of the audit committee	3.4 The audit committee should oversee integrated reporting	Applied	Pages 40-41
	3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied	Pages 40-41
Internal assurance providers	3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	Pages 40-41
	3.7 The audit committee should be responsible for overseeing of internal audit	Alternative procedures followed	Pages 40-41 EOH does not have a dedicated internal audit function. Refer to alternative procedures as per pages 40-41
	3.8 The audit committee should be an integral component of the risk management process	Applied	Pages 40-44
External assurance providers	3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	Pages 40-41



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Reporting	3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	Pages 40-41; 53
4 The governance of risk			
The board's responsibility for risk governance	4.1 The board should be responsible for the governance of risk	Applied	Pages 33-49
	4.2 The board should determine the levels of risk tolerance	Applied	Pages 42-44
	4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	Pages 33-49
Management's responsibility for risk management	4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	Pages 42-44
Risk assessment	4.5 The board should ensure that risk assessments are performed on a continual basis	Applied	Pages 42-44
	4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	Pages 42-44
Risk response	4.7 The board should ensure that management considers and implements appropriate risk responses	Applied	Pages 42-44
Risk monitoring	4.8 The board should ensure continual risk monitoring by management	Applied	Pages 42-44
Risk assurance	4.9 The board should receive assurance regarding the effectiveness of the risk management process	Not applied	The cost of obtaining external assurance is not warranted
Risk disclosure	4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	Pages 22-24; 42-44
5 The governance of information technology			
	5.1 The board should be responsible for information technology (IT) governance	Applied	Page 44
	5.2 IT should be aligned with the performance and sustainability objectives of the company	Applied	Page 44
	5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	Page 44
	5.4 The board should monitor and evaluate significant IT investments and expenditure	Applied	Page 44
	5.5 IT should form an integral part of the company's risk management	Applied	Page 44
	5.6 The board should ensure that information assets are managed effectively	Applied	Page 44
	5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	Pages 33-49

Area	Requirement	Status	Reference are to Annual Integrated Report 2016
6 Compliance with laws, rules, codes and standards			
	6.1 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	Pages 33-49; 21-31
	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	Applied	Pages 33-49
	6.3 Compliance risk should form an integral part of the company's risk management process	Applied	Pages 42-44
	6.4 The board should delegate to management the implementation of an effective compliance framework and processes	Applied	Pages 42-44
7 Internal Audit			
The need for and role of internal audit	7.1 The board should ensure that there is an effective risk based internal audit	Alternative procedures followed	ECH does not have a dedicated internal audit function. Refer to alternative procedures as per pages 40-41
Internal audit's approach and plan	7.2 Internal audit should follow a risk based approach to its plan	Alternative procedures followed	Refer to alternative procedures as per pages 40-41
	7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	N/A	Management reports are produced by the external auditors
	7.4 The audit committee should be responsible for overseeing internal audit	Alternative procedures followed	Refer to alternative procedures as per pages 40-41
Internal audit's status in the company	7.5 Internal audit should be strategically positioned to achieve its objectives	Alternative procedures followed	Refer to alternative procedures as per pages 40-41
8 Governing stakeholder relationships			
	8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	Pages 21-31; 33-49
	8.2 The board should delegate to management to proactively deal with stakeholder relationships	Applied	Pages 21-31; 33-49
	8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied	Pages 21-31; 33-49
	8.4 Companies should ensure the equitable treatment of shareholders	Applied	Pages 21-31; 33-49
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	Page 23; 21-31 SENS Communications, Investor Open Days
Dispute resolution	8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	Pages 33-49
9 Integrated reporting and disclosure			
Transparency and accountability	9.1 The board should ensure the integrity of the company's integrated report	Applied	Pages 2; 36-39
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	Pages 21-31; 33-49
	9.3 Sustainability reporting and disclosure should be independently assured	Applied Partially - Group company	The sustainability report is produced by subsidiary specialising in sustainability disclosures