

# **Etion Limited King IV™ Application Register**

For the year ended 31 March 2018

The Etion Board embraces corporate governance as set out in King IV™, through the exercise of ethical and effective leadership towards the achievement of the outcomes of an ethical culture, good performance, effective control and legitimacy.

This document has been prepared in terms of the JSE Listings Requirements and sets out the application of the 17 corporate governance principles by Etion as recommended by King IV™.

# Etion Limited

## King IV™

### Application Register

PRINCIPLE	APPLICATION / EXPLANATION	COMMENTARY
<p>1. The governing body should lead ethically and effectively.</p>	<p>Applied</p>	<p>The board of directors of Etion Limited holds one another accountable for decision-making and ethical behavior. The Chairperson of the Board oversees this on an ongoing basis. This responsibility is contained in the Board Charter which includes the Board code of conduct.</p> <p>No incidents of fraud or unethical behavior were reported or detected during the external audit for the 2017/2018 period.</p>
<p>2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>Applied</p>	<p>The Board established a Social and Ethics Committee responsible for monitoring and governance of the ethics of the Company which is incorporated into the company's social and ethics scorecard. The role and responsibility of the Social and Ethics Committee is contained in the board-approved terms of reference.</p> <p>The Company's Code of Ethics policy guides the interaction between employees, clients, stakeholders, suppliers and the communities within which it operates.</p>
<p>3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Applied</p>	<p>The Social and Ethics Committee monitors the Company's activities in relation to Corporate Citizenship. The Company considered the impact of its operations on social, economic and environment.</p> <p>The Company is part of the greater socio- economic ecosystem and encourages the value played by its stakeholders as well as role played in ensuring sustainable development practices. The company assists in uplifting disadvantaged communities by providing education and technical skills training for future growth and development.</p>
<p>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.</p>	<p>Applied</p>	<p>The CEO is mandated to implement the Company's strategy to ensure that the Company's ability to create value in a sustainable manner is illustrated throughout its business model.</p> <p>The Board as a whole remains responsible for the governance of risk and has delegated this responsibility to the Audit and Risk Committee. This Committee assists the Board with the governance of risk and continue ensuring the monitoring of risks while ensuring that effective mitigating factors are in place. This responsibility is contained in the Board Charter and the Audit and Risk Committee terms of reference.</p>
<p>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.</p>	<p>Applied</p>	<p>The Board reviewed and approved the Integrated Annual Report which will enable stakeholders to make an informed assessment on the organisations ability to grow the business and create long term sustainable value.</p> <p>The Integrated Annual Report informs stakeholders of the organisation's strategy, performance, short-, medium-, long-term prospects.</p>
<p>6. The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</p>	<p>Applied</p>	<p>The Board acts in accordance with a Board Charter and is the focal point and custodian of corporate governance within the Company. The Board delegated some of its functions to board committees such as:</p> <ul style="list-style-type: none"> <li>- Audit and Risk Committee;</li> <li>- Social and Ethics Committee;</li> <li>- Human Capital and Remuneration Committee;</li> <li>- Investment Committee; and</li> <li>- Nomination Committee.</li> </ul>

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<p><b>7.</b> 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.</p>	Applied	<p>The Board and its board committees evaluates on an annual basis, its composition in terms of balance of knowledge, skills, experience, diversity, independence and whether this enables it to effectively discharge its role and responsibilities.</p> <p>The Board was satisfied that it comprises the appropriate balance of skills, experience, diversity, independence and knowledge to discharge its role. The Board conducted a self-assessment and also of its committees and was satisfied with the outcome thereof and that no remedial action was required. The Board was satisfied that they remained aligned with the JSE limited requirements, underpinned by the recommendations on best Corporate Practices.</p>
<p><b>8.</b> 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.</p>	Applied	<p>The board committees are structured to ensure that its composition is aligned with the requirements in terms of King IV™. The Board and its committees fully comply with the requirements of King IV™.</p> <p>Furthermore, there is a clear balance of power that ensures that no individual/s has undue/unfettered decision-making powers.</p>
<p><b>9.</b> 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.</p>	Applied	<p>The Board and all board-committees' terms of reference include the onus of annual assessments. An annual assessment of the performance of the Board was conducted and going forward, assessments of the performance of the Board, its committees and the company secretary will continue to be conducted annually by way of internal evaluation processes.</p>
<p><b>10.</b> The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</p>	Applied	<p>The Delegation of Authority between the Board and the CEO is largely governed by the principles of King IV™ and the requirements of the JSE Limited.</p> <p>A Delegation of Authority policy and framework indicating the matters reserved for the Board and senior management has been developed.</p> <p>The Board oversees and monitors implementation and execution by management in terms of the delegation of authority.</p> <p>The Board is satisfied that the Company is appropriately resourced in its Finance Department which was strengthened through the recent appointment of the GCFO.</p>
<p><b>11.</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	Applied	<p>An Enterprise Risk Management policy and framework was developed providing for continuous identification and evaluating of risks and ensuring that risks are managed in line with the business strategy.</p> <p>The Audit and Risk Committee assists the Board with the governance of risks and delegates to management the responsibility to continuously identify, assess, analyses and mitigate risks within the operating environment. The Board remains satisfied with the risk management process which is integrated into the business via the "four lines of defense: and aimed at managing uncertainty and increase the probability of performance and sustainability of the Group .</p>
<p><b>12.</b> The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives.</p>	Applied	<p>The Board, together with the Audit and Risk Committee oversees the governance of information technology. In this regard, a Group Wide IT Policy was approved and an IT committee with a representative from each division within the Company was formed.</p> <p>Going forward, IT risks will be managed through the Enterprise Risk Management Framework approved by the Board.</p>
<p><b>13.</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</p>	Applied	<p>The Board, through the Social and Ethics Committee, monitors compliance with the various regulations that the Company is subject to.</p> <p>There were no contraventions or areas of non-compliance for the period under review, relating to breaches of the requirements of the JSE Limited and the Companies Act.</p> <p>These responsibilities are also contained in the Terms of Reference of the Social and Ethics Committee.</p>

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<p><b>14.</b> The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.</p>	Applied	<p>The Board, assisted by the Human Capital and Remuneration Committee ensures that staff members are remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. In this regard, the Remuneration Policy has been drafted and regularly considered by the Human Capital and Remuneration Committee.</p> <p>These responsibilities are also contained in the terms of reference of the Human Capital and Remuneration Committee.</p>
<p><b>15.</b> 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.</p>	Applied	<p>The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making. The Board relied on the Audit and Risk Committee for the results that are presented in the Integrated Annual Report and approved same on recommendation of the said Committee.</p> <p>This responsibility is contained in the terms of reference of the Audit and Risk Committee and the Board Charter.</p>
<p><b>16.</b> In the execution of its governance roles 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.</p>	Applied	<p>The stakeholders of the Company are interacted with on a regular basis to determine their expectations with regards to their needs and interests in the Company.</p> <p>The Company continues to enhance and build on stakeholder engagement function by focusing on developing those relationships that have a material impact on the company short, medium and Long-term</p>
<p><b>17.</b> The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	Applied	N/A – Etion Limited is not an institutional investor.