



Governance, risk
and compliance



Corporate governance

The group adheres to the principles and recommendations contained in the King Report on Corporate Governance for South Africa (2009), referred to as King III. It is committed to the principles of fairness, accountability, responsibility and transparency the report advocates. The board strives to ensure that the group is ethically managed, applying prudently determined risk parameters and in compliance with generally accepted corporate practices and conduct.

Composition of the board

The names of the directors in office are detailed below:

Name	Committees	Nationality	Date of appointment
Independent non-executive directors			
RJ Connellan (Board Chairman)	Social and Ethics (chair) Nominations (chair) Remuneration	South African	February 2011
KA Rayner	Remuneration (chair) Audit and Risk Social and Ethics Nominations	South African	January 2011
BR Topham	Audit and Risk (chair) Social and Ethics Nominations Remuneration	South African	November 2010
W Oberholzer	Audit and Risk Social and Ethics Nominations	South African	March 2017
Non-executive directors			
G Manyere (Vice-Board Chairman)	Social and Ethics Nominations	Zimbabwean	March 2017
PJ Matute	Social and Ethics Nominations	Zimbabwean	October 2016
Executive directors			
TP Gregory (Chief Executive Officer)	Social and Ethics	South African	September 2010
BS Shanahan (Financial Director)	Social and Ethics	South African	December 2015

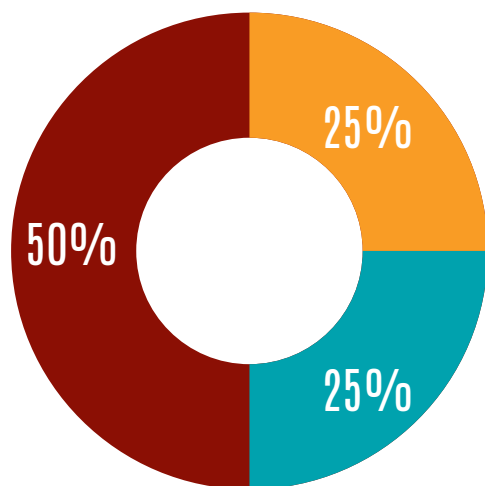


Brief curricula vitae can be found on the website at www.ecsponent.com/leadership-team

Structure of the board

The board continues to operate with the majority of members being non-executive directors. Of these, most are independent, including the chairman. The company conforms to King III, JSE Listings Requirements and the Companies Act (2008) requirements.

All Ecsponent's board committees are constituted appropriately with the majority of committee members being independent non-executive directors.



- Non-executive
- Executive
- Independent non-executive

Independence of the board and board balance

There is a clear division of responsibilities between directors. There exists a clear balance of power and authority at Board level ensuring that no one director has unfettered powers of decision-making. At the period-end, the board comprised eight directors – two executives, four independent non-executives and two related non-executives.

Three new directors were appointed to the board during the period under review, PJ Matute, G Manyere and W Oberholzer. Their brief curricula vitae can be viewed on pages 18 to 19. Mr E Engelbrecht resigned as a non-executive director on 31 May 2017.

The healthy balance of non-executive directors, of which the majority are independent, on the board ensures independent decision making. The non-executive directors were selected based on their experience and skill set. The group of independent non-executive directors provide independent opinion with no extraneous factors that materially affect their judgment. Non-executive directors earn market-related fees. If there is an actual or potential conflict of interest, the director (executive or non-executive) concerned, after declaring his/her interest in terms of the Companies Act, is excluded from the related decision-making process.

The roles of the chairman and chief executive office are separated to ensure a balance of power and authority.

Board responsibilities

The board is ultimately responsible for the group's performance and affairs, which includes protecting and enhancing the group's wealth and resources, timely and transparent reporting, and acting at all times in the best interest of the group and its stakeholders. In fulfilling this responsibility, the board oversees the strategy, investment policy, risk management, financing and corporate governance policies of the company.

The board is responsible for ensuring that controls and procedures are in place to ensure the accuracy and integrity of accounting records so that they provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial records may be relied upon for maintaining accountability for assets and liabilities and preparing the financial statements.

Appointments to the board

All non-executive directors are part of the Nominations Committee, with each board member holding one vote. Any new directors appointed to the board since the last annual general meeting are appointed in accordance with the casual vacancy provisions of the company's Memorandum of Incorporation. The appointment of these directors in terms of the casual vacancy provisions is subject to confirmation by shareholders at the next general or annual general meeting of shareholders.

Advice

The directors all have unlimited access to the group secretary who, inter alia, advises the board and its committees on issues relating to compliance with procedures, the JSE's listing requirements and the King reports on corporate governance. Directors are furthermore, with the prior knowledge of the chief executive officer, entitled to ask any questions of any personnel and enjoy unrestricted access to all company documentation, information and property.



For more information about the board's responsibilities, appointments visit www.ecsponentlimited.com/governance/

Board and committee meetings and attendance thereof

The directors are briefed in respect of special business and information is provided to enable them to meticulously consider matters under discussion. Directors' board packs are prepared and distributed for each board meeting and minutes of all board and committee meetings are duly recorded.

The respective legal responsibilities of the Audit Committee and the Social and Ethics Committee in terms of the Companies Act, have resulted in the board adopting a meeting regime which accommodates all the committees.

King III

The group has applied and adopted the King III principles as is considered necessary for the Ecsponent group.

The board of directors and all subcommittees convened five times during the financial period January 2016 to March 2017, exceeding the recommendations of the King report regarding the frequency of meetings.



The complete Governance Register by King III Charter is available on the website, www.ecsponent.com.

Accounting and internal controls

The board has established controls and procedures to ensure that the accuracy and integrity of the accounting records are enhanced and maintained. It further

aims to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial statements may be relied upon for maintaining accountability for assets and liabilities and preparing the financial statements.

Board committees

Sub-committees appointed by the board include the audit and risk committee, social and ethics committee, nominations committee and the remuneration committee. These committees all meet independently but report directly to the board and decisions taken by such committees all require approval of the board prior to implementation.

The committees all operate in terms of approval charters, which define their roles. Details of the sub-committees including responsibilities and members are described below.

Directors' attendance at meetings	Board (5 meetings)		Audit and Risk Committee (5 meetings)		Remuneration Committee (5 meetings)		Social and Ethics Committee (5 meetings)		Nominations Committee (5 meetings)	
		% attendance		% attendance		% attendance		% attendance		% attendance
RJ Connellan ¹	5	100.00%	5	100.00%	5	100.00%	5	100.00%	5	100.00%
KA Rayner ²	5	100.00%	5	100.00%	5	100.00%	5	100.00%	5	100.00%
BR Topham ²	4	80.00%	4	80.00%	4	80.00%	4	80.00%	4	80.00%
E Engelbrecht ³	3	60.00%	Invitee		Invitee		1	20.00%	Invitee	
TP Gregory ⁴	5	100.00%	Invitee		Invitee		5	100.00%	Invitee	
B Shanahan ⁴	5	100.00%	Invitee		Invitee		5	100.00%	Invitee	
PJ Matute ⁵	2	100.00%	Invitee		Invitee		1	50.00%	1	50.00%
G Manyere ⁶	1	100.00%	Invitee		Invitee		1	100.00%	1	100.00%
W Oberholzer ⁷	1	100.00%	1	100.00%	Invitee		1	100.00%	1	100.00%

¹ Independent non-executive director, resigned from the Audit and Risk Committee on appointment of W Oberholzer to the committee

² Independent non-executive director.

³ Resigned as CEO October 2016 and took up non-executive director position. Resigned as non-executive director May 2017.

⁴ Executive director.

⁵ Appointed October 2016 as non-executive director and member of the Nominations and Social and Ethics Committees.

⁶ Appointed March 2017 as non-executive director and vice chairman. Appointed to the Nominations and Social and Ethics Committees on appointment as director.

⁷ Appointed March 2017 as independent non-executive director, member of the Audit and Risk, Nominations and Social and Ethics Committees.



For more information about the mandates and terms of reference for each committee, visit www.ecsponentlimited.com/governance/



Audit and Risk Committee

The Audit and Risk Committee consisted of:

BR Topham:	Independent non-executive director and committee chairman
RJ Connellan:	Independent non-executive director (resigned March 2017)
W Oberholzer:	Independent non-executive director (appointed March 2017)
KA Rayner:	Independent non-executive director

The board is of the opinion that the current committee constitution is adequate to ensure the governance required. The chief executive officer, the financial director, the non-executive director and the external auditors attend meetings of the committee as invitees.

The committee acts in accordance with the requirements of the Companies Act, King III, the JSE's listing requirements and in accordance with the written terms of reference as confirmed by the board that set out its authority and duties.

The primary mandate of the committee is to:

- recommend external auditors for appointment;
- ensure the independence of the external auditors;
- ensure the JSE accreditation of the external audit firm and audit individual;
- review the annual audit plan;
- review the interim and annual results before recommending them to the board for approval;
- discuss the results and the audit process with the external auditor before recommending them to the board for approval;
- evaluate the group's systems of internal financial and operational control;
- review accounting policies and financial information to be issued to the public;
- make recommendations to the board regarding all matters that require board approval;
- facilitate effective communication between the board, management and the external auditors;
- determine the fees payable to the external auditors;
- approve the level of non-audit services provided by the external auditors;
- ensure compliance with applicable legislation and the requirements of regulatory authorities;
- consult independently with external auditors to discuss concerns; and
- ensure compliance with the group's code of ethics.

The committee reviewed the critical business, operational, financial and compliance exposures and sustainability issues facing the group, taking into account the severity and probability of occurrence of such risks. The committee resolved to review risk for the period under review as an integral part of all audit committee meetings and ensure that the requisite risk management culture, practices and policies are progressively implemented and continuously monitored.

The role of the Audit Committee is to assist the board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It functions through close liaison and communication with corporate management and external auditors.

The committee supports the board in discharging its responsibility for ensuring that the risks associated with its operations are effectively managed. This is done through, inter alia:

- setting out a process for the identification and management of risk and sustainability issues;
- reviewing and assessing any risk management issues;
- considering items of risk, assessing such risks and determining required solutions, and
- where required, reporting the most significant risks to the board;
- reviewing corporate governance guidelines and implementation; and
- reviewing and approving group insurance policies and deciding on the extent to which the group should retain risk.

During the meeting held on 28 November 2016, the committee once again considered and satisfied itself as to the appropriateness of the expertise and experience of the financial director, B Shanahan.

The Audit Committee operates in accordance with the principles of the Companies Act and the King Report on Corporate Governance for South Africa (2009). It addressed its responsibilities properly in terms of these charters during the 2017 financial period. The King III Report requires the members of the Audit and Risk Committee to all be independent non-executive directors. Mr Connellan resigned from the committee upon the appointment of Mr W Oberholzer as independent non-executive director, who accepted appointment to the committee and thereby ensuring the committee composition complied with the King codes of good practice.

One of the responsibilities of the Audit and Risk Committee was the assessment of the independence of the external auditor. At the meeting on 28 November 2016, the committee satisfied itself that the external audit is independent of the company and the group. The external auditor has also confirmed that its personnel are independent of the company and group.



Remuneration Committee

The Remuneration Committee consisted of:

KA Rayner:	Independent non-executive director and committee chairman
RJ Connellan:	Independent non-executive director
BR Topham:	Independent non-executive director

The remaining directors are all invited to attend the Remuneration Committee meetings.

During the meeting held on 28 November 2016, the committee recommended the executive remuneration as detailed in the financial report. The remuneration of non-executive directors is included in the Notice of the Annual General Meeting and was reviewed during the meetings of 20 March 2017.

The role of the remuneration committee is to assist the board by performing an objective and independent review of the functioning of the organisation's remuneration mechanisms. It exercises its functions through close liaison and communication with corporate management.

The committee is guided by its terms of reference, dealing with membership, structure and levels of authority and has the following responsibilities:

- development and ongoing review of the group's remuneration policy;
- review of executive compliance with the approved policy;
- determining remuneration of executive directors; and
- recommending incentive and other bonus awards for the group's executives.

The remuneration committee adopted the principles of the new Companies Act as well as King III and discharged its responsibility fully in terms of the charter during the financial period.

The group remuneration policy was approved by the chairman of the board and the chairman of the Remuneration Committee on 19 August 2016 and will be due for review in August 2017.

At the meeting held on 28 November 2016, the committee approved the remuneration of the CEO and financial director as reflected in this Integrated Report.

The committee will continue to assist the board in:

- determining the board's policy for executive and senior management remuneration;
- reviewing the remuneration of the executive directors and company secretary; and
- reviewing the non-executive directors' fees.



The Remuneration Policy can be viewed at www.ecsponentlimited.com/group-remuneration-policy/





Social and Ethics Committee

The Social and Ethics Committee consisted of the full board and is chaired by RJ Connellan.

The committee performs a monitoring role in respect of the sustainable development performance of the group, specifically relating to:

- stakeholder engagement;
- health and public safety, which includes occupational health and safety as well as the clinical
- quality of the group's services;
- broad-based black economic empowerment;
- labour relations and working conditions;
- training and skills development of the group's employees;
- management of the group's environmental impacts;
- ethics and compliance; and
- corporate social investment.



Nominations Committee

The Nominations Committee consisted of all non-executive directors and is chaired by RJ Connellan.

The role of the Nominations Committee is to assist the board by assessing the composition of the board and evaluating potential board members and ensuring:

- the board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors take place; and
- formal succession plans for the board, chief executive officer and senior management appointments are in place.
- Ensuring the establishment of a formal process for the appointment of directors, including:
 - Identification of suitable members of the board;
 - Performance of reference and background checks of candidates prior to nomination; and
 - Confirmation of directors' appointment through an agreement between the company and the director;
- Overseeing the development of a formal induction programme for new directors;
- Ensuring that inexperienced directors are developed through a mentorship programme;
- Overseeing the development and implementation of continuing professional development programmes for directors;
- Ensuring that directors receive regular briefings on changes in risks, laws and the environment in which the company operates;
- Considering the performance of directors and taking steps to remove directors who do not make an appropriate contribution;
- Finding and recommending to the board a replacement for the chief executive officer when that becomes necessary; and
- Ensuring that formal succession plans for the board, chief executive officer and senior management appointments are developed and implemented.

External audit and auditors

The group's auditor, Nexia SAB&T Chartered Accountants and Registered Auditors, performs an independent and objective audit on the group's financial statements. Interim reports are not audited, but are reviewed and discussed with the auditors. The Audit Committee approves the audit plan and reviews the audit fees for the audit. The auditors have unrestricted access to the Audit Committee and are invited to attend all Audit Committee meetings. The re-appointment of the auditors is reviewed annually by the Audit Committee. The Audit Committee has confirmed that the external auditors are considered to be independent and the external auditors have confirmed that none of their staff have any conflict of interest with regard to the company.

Employment equity

The group promotes a culture that provides all employees with opportunities to advance to their optimal levels of career development.

Black Economic Empowerment

The Ecsponent group understands the importance of transformation in the context of our continued growth and the financial inclusion of historically disadvantaged communities to drive greater economic expansion. We recognise that the current income inequality in the country is not sustainable and as such we need to use our collective efforts to address transformation in its broader context.

Given the importance of the country's transformation objectives, and our own initiatives in developing emerging businesses through our enterprise finance model, it is our objective to transform and reposition Ecsponent in alignment with the South African government's transformation objectives.

As such, in the wake of the group's realignment, our short-term goal is to have the group's B-BBEE contribution verified by an independent assurance provider. Once complete, the verification process will be completed annually to document our progress.

Promotion of gender diversity

In terms of paragraph 3.84(k) of the JSE Listings Requirements, the board is required to have a policy on the promotion of gender diversity at board level. At present such a policy has not been established, but is under discussion. However, the board recognises the need for gender diversification. Currently there are several female senior management executives active in the operations and management of Ecsponent and its subsidiaries, but no female members on the Ecsponent board. This matter will be explored further and it is the intention of the board to appoint a female board member with relevant experience and skills in the foreseeable future. Shareholders will be advised as soon as such appointments have been made.

Communication with stakeholders

The group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest and subscribes to a policy of open, frank and timeous communication in its activities on both financial and non-financial matters.

Interests of directors and share dealings

The directors' interest in the company as at 31 March 2017 is detailed on page 27 in the Directors' Report.

Trading company shares

The company enforces a restricted period for dealing in its shares, in terms of which any dealings in shares by all directors and senior personnel are disallowed by the board during closed periods and price sensitive periods.

The policy for dealing in shares by all directors is as prescribed by the JSE's Listings Requirements.

Company secretary

The company secretary is Mr DP van der Merwe.

The company secretary is required to provide the members of the board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the board is aware of all legislation relevant to or affecting the company.

The company secretary is required to ensure that the company complies with all applicable legislation regarding the affairs of the company, including the necessary recording of meetings of the board, board committees and shareholders of the company.

The board believes Mr DP van der Merwe maintains an arm's length relationship with the board and has the requisite competence, qualifications and experience to fulfil his commitments effectively. During the period under review the board assessed the company secretary's competence in relation to sections 3.84(i), 4.8(c) and 7.F.6 (i) of the Listings Requirements including:

- Proficiency in the administration of the board's affairs;
- Adherence to the Memorandum of Incorporation;
- Regulatory administration of consolidated financial statements and returns; and
- Ability to provide guidance to the board in respect of relevant law and duties and responsibilities of the board.

It requires a decision of the entire board to remove the company secretary, should this become necessary.