

# CORPORATE GOVERNANCE

The board of directors ("Board") recognises the need to conduct the affairs of the Company with integrity and in compliance with the King Code of Governance Principles, as set out in the King III Report ("King III"). The directors are of the opinion that the Group has complied with King III in the past year, except where otherwise indicated. The Board will ensure that the principles and best practice recommendations that are applicable to the Group are implemented and complied with, whilst taking into account the practicalities of the environment in which the Group operates, the financial cost of compliance and the need to take action as appropriate.

## King III Compliance Status

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

No.	Area	Chapter	Requirement	Status	Comments
<b>1. Ethical Leadership and Corporate Citizenship</b>					
1.	<b>Leadership &amp; Corporate Citizenship</b>	1.1	The Board should provide effective leadership based on an ethical foundation	Applied	The Board has approved a code of ethics and is committed to abide by it. The Board of directors are committed to ensuring ethical and sustainable business practices.
2.		1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The Board continuously promotes responsible governance. The Social and Ethics Committee is responsible for monitoring corporate citizenship by ensuring the necessary requirements are adhered to. The Committee reports to the Board on a quarterly basis and the Board actively recommend changes where required
3.		1.3	The Board should ensure that the company's ethics are managed effectively	Applied	Poynting remains committed to the highest standards of honesty, integrity and fairness. A hotline is available for all employees and directors to report any unethical behaviour. Monitoring ethics forms part of the risk assessment by the Board.
<b>2. Boards and Directors</b>					
4.	<b>Role and Function of the Board</b>	2.1	The Board should act as the focal point for and custodian of corporate governance	Applied	The Board accepts responsibility for corporate governance throughout the organisation and demonstrates same in its meetings and interaction with management and the relevant Committees. The Board, as custodian of corporate governance, has delegated some of the responsibility to Committees and management but remains the ultimate custodian for implementing and monitoring compliance across the Group.
5.		2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	The Board operates through a board charter and code of ethics
6.		2.3	The Board should provide effective leadership based on an ethical foundation	Applied	See 1.1
7.		2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	See 1.2
8.		2.5	The Board should ensure	Applied	See 1.3

No.	Area	Chapter	Requirement	Status	Comments
			that the company's ethics are managed effectively		
9.		<b>2.6</b>	The Board should ensure that the company has an effective and independent Audit Committee	Applied	See 3.1
10.		<b>2.7</b>	The Board should be responsible for the governance of risk	Applied	See 4.1
11.		<b>2.8</b>	The Board should be responsible for information technology (IT) governance	Applied	See 5.1
12.		<b>2.9</b>	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	See 6.1
13.		<b>2.10</b>	The Board should ensure that there is an effective risk-based internal audit	Under review / Do not comply	See 7.1
14.		<b>2.11</b>	The Board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	See 8.1
15.		<b>2.12</b>	The Board should ensure the integrity of the company's integrated report	Applied	See 9.1
16.		<b>2.13</b>	The Board should report on the effectiveness of the company's system of internal controls	Applied	See 7.3
17.		<b>2.14</b>	The Board and its directors should act in the best interests of the company	Applied	The Board strictly adheres to the fiduciary duties and duty of care and skill stipulated in the Companies Act. Conflicts and declarations of interests are declared at each meeting and minuted accordingly. All conflicts and declarations of interests (even those not within the definition of personal financial interests) are treated in line with section 75 of the Companies Act and is located at the Group company secretary's office.
18.		<b>2.15</b>	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	The Audit and Risk Committee reviews financial information in detail and recommends any specific action to the Board if required. In addition, when considering and reviewing the provision of financial assistance to related parties, the Board as a whole also considers the solvency and liquidity of the Group. During the year, the company met the solvency and liquidity test requirements when it was performed.

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19.		<b>2.16</b>	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	The chairman satisfies the King III definition of independent non-executive director
20.		<b>2.17</b>	The Board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The Board reviews the appointment of the CEO annually and is actively involved in the development of a framework for the delegation of authority to that person.
21.	<b>Composition of the Board</b>	<b>2.18</b>	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Under Review/Do not comply	The Board experienced a number of changes during the year, but on average comprised three non-executive directors (of which two are independent) and three executive directors. The Board is aware of the need to have a majority of independent directors and will review the recommendation of the nominations committee for a further independent non-executive director
22.	<b>Board Appointment Process</b>	<b>2.19</b>	Directors should be appointed through a formal process	Applied	The nominations committee makes appropriate recommendations to the Board for appointment
23.	<b>Director Developments</b>	<b>2.20</b>	The induction of and on-going training and development of directors should be conducted through formal processes	Applied	Delegated to the independent third party company secretary, who provides appropriate induction, training and awareness
24.	<b>Company Secretary</b>	<b>2.21</b>	The Board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The Board has contracted the services of an independent third party that complies with the requirements for company secretary
25.	<b>Performance Assessment</b>	<b>2.22</b>	The evaluation of the Board, its committees and the individual directors should be performed every year	Applied	The Board has contracted the services of an independent third party that evaluates the committees and individual directors every year
26.	<b>Board Committees</b>	<b>2.23</b>	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	All Board subcommittees operate with formal terms of reference which provide them with their scope of authority and roles and responsibilities. Board committees have been formed in accordance with King III recommendations and, where applicable, the Companies Act

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27.	Group Boards	2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied	Subsidiaries have adopted and comply with the Group wide policies. The delegation of authority framework which forms an integral part of the governance framework has been agreed upon and is monitored by the Board for compliance on a quarterly basis
28.	Remuneration of Directors and Senior Executives	2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	Remuneration levels are set with reference to appropriate industry benchmarks. The required resolution in respect of non executive director remuneration is put forward to shareholders for approval at the Annual General Meeting
29.		2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Applied	The remuneration of each director and prescribed officer is disclosed in the Integrated Annual Report.
30.		2.27	Shareholders should approve the company's remuneration policy	Applied	The remuneration policy is reviewed by the remuneration committee annually and recommendations are proposed to the Board where required. Ultimately the shareholders approve the remuneration policy at the Annual General meeting.
<b>3. Audit Committees</b>					
31.		3.1	The Board should ensure that the company has an effective and independent Audit Committee	Applied	The Audit and Risk Committee consists of three non-executive directors of which two non-executive directors are independent. The Chairperson of the Board is a member of the Audit and Risk Committee as allowed by KING III. The Audit and Risk Committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements, and in line with a charter. This incorporates King III principles, as well as duties specifically delegated by the Board. The Audit and Risk Committee minutes are included in the quarterly board packs and the chairperson of the committee reports to the Board detailing the contents of the minutes were required..
32.	Membership and Resources of the Audit Committee	3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors	Applied	The Committee members meet the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. Two of the Committee members are independent non-executive directors and the third non-executive is not independent as the member represents a significant shareholder. The Board is satisfied that the committee members comply with an independent and qualified Audit and Risk Committee structure
33.		3.3	The Audit Committee should be chaired by an independent non-executive director	Applied	The Audit Committee is chaired by an independent non-executive director

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34.	Responsibilities of the Audit Committee	3.4	The Audit Committee should oversee integrated reporting	Applied	The Committee reviews and oversees all disclosure contained in the Integrated Annual Report with the required recommendations made to the Board prior to the approval thereof. The Board in turn relies on the assessment and assurance of the Audit and Risk Committee in the decisions made thereon.
35.		3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied	The Audit Committee has applied a combined assurance model to provide a coordinated approach to all assurance activities
36.	Internal Assurance Providers	3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	The Audit Committee has satisfied itself of the expertise, resources and experience of the company's finance function
37.		3.7	The Audit Committee should be responsible for overseeing of internal audit	Under review / partially applied	The Audit and Risk Committee agreed that the internal audit function would be performed by the Group finance department, for which a dedicated resource was recruited. The Board, as a whole, also considers internal controls. In reviewing key financial metrics and and quantified business risks, the Committee directs the finance department to carry out specific reviews when required. The committee is of the opinion that the system of internal financial controls are effective, and forms a basis for the preparation of reliable financial statements
38.		3.8	The Audit Committee should be an integral component of the risk management process	Applied	While considering the information and explanations given by management in respect of monthly results, as well as discussions held with the external auditor on audit results, the Audit and Risk Committee is an integral component of the risk management process and is of the opinion that the system of internal financial controls are effective
39.	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	The Audit and Risk Committee reviews the appointment of the external auditors on an annual basis and request comparative quotations of the audit fees when required. The feedback of the auditors regarding the audit issues is done annually by the external audit partner to the Audit and Risk Committee. The committee reports its findings to the board on whether it is satisfied with the external audit process. The Committee is responsible for recommending the appointment of the external auditor.
40.	Reporting	3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	Applied	The report containing the detail of how the Audit and Risk Committee discharged its duties is contained in the Integrated Annual Report The chairman of the committee reports quarterly to the Board. The Chairman of the committee is also present at the annual general meeting to answer questions of shareholders.

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<b>4. Governance of Risk</b>					
41.	<b>Board Responsibility</b>	<b>4.1</b>	The board should be responsible for the governance of risk	Applied	The Board is responsible for effective control over the affairs of the Company, including risk management, internal controls and the asset management process. Although the Audit and Risk Committee is tasked with identifying, analysing and reporting on risk, this was also a function of the Directors and was managed at Board level. The Board is responsible for the risk management process, whilst management is accountable to the Board for designing, implementing and monitoring the process of risk management in the day-to-day activities of the Group
42.		<b>4.2</b>	The board should determine the levels of risk tolerance	Applied	Qualitative and quantitative measures are used to set risk tolerance for each identified risk. The risks are reported in a risk matrix that is prioritised based on the factors at each review. The Audit and Risk Committee considers the risk matrix quarterly or as required and makes recommendations to the Board. The Board takes responsibility for the risk matrix and could call for a meeting with executive management if the risks identified are increasing or not adequately mitigated.
43.		<b>4.3</b>	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	Delegated to the Audit and Risk Committees, which have complied with its terms of reference
44.	<b>Management</b>	<b>4.4</b>	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	The risk management policy and plan is implemented by management through coordinated risk management processes. Oversight of these processes lies with the Audit and Risk Committee. The Committee delegated the day to day management of risk to executive management. The Poynting executive management team meets on a monthly basis and evaluates the risk matrix as appropriate. All parties report any risks that exceeds the tolerance levels set by the board, to either the Committee or the Board as soon as the risks rating threshold is exceeded.
45.	<b>Assessment</b>	<b>4.5</b>	The board should ensure risk assessments are performed on a continual basis	Applied	Risk identification, assessment, response and monitoring are performed on a monthly basis at operational level while the Executive reviews the corporate/strategic risk profile each quarter. Management provides formal risk reports to the Audit and Risk Committee or the Board each quarter.
46.		<b>4.6</b>	The board should ensure frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	The risk matrix framework, as far as reasonably possible, includes processes to prompt identification of unpredictable risks, including events with high impacts and low probability that would cause severe business disruptions

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47.	Response	4.7	The board should ensure that management considers and implements appropriate risk responses	Applied	See 4.5
48.	Monitoring	4.8	The board should ensure that management considers and implements appropriate risk responses	Applied	See 4.4
49.	Assurance	4.9	The board should receive assurance regarding the effectiveness of the risk management process	Applied	See 4.5. In addition, the Board, whilst tracking possible risks with the risk matrix, is able to review whether required risk management process is effective. The external auditor's report provides further insight to risk management and possible focus areas.
50.	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	The Board are confident that the policies implemented for SENS announcements, extraordinary items and integrated reporting will ensure, with the assistance of specialists, such as the designated advisors, complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
<b>5. Governance of Information Technology</b>					
51.	The Governance of Information Technology	5.1	The board should be responsible for information technology (IT) governance	Applied	The Board takes full responsibility for the information technology governance and has adopted an Information Technology Policy that is reviewed on an annual basis by the Audit And Risk Committee. Compliance with the policy is monitored and risk analysis based on compliance issues are addressed under the risk management policies
52.		5.2	Information technology should be aligned with the performance and sustainability objectives of the company	Applied	The board recognises that information technology is integral to doing business today, and fundamental in supporting the sustainability and growth of our company. Accordingly, the focus of our information technology is ensuring accurate, reliable and timely information that supports effective reporting and appropriate management of our business to enable Poynting to achieve its business objectives
53.		5.3	The board should delegate to management the responsibility for implementation of an information technology governance framework	Applied	The implementation of the governance framework and Information Technology Policy is delegated to the Group Financial Director. Poynting acquires the help of independent experts and service providers where required, to identify and implement a governance framework and suggesting solutions for effective compliance.
54.		5.4	The board should monitor and evaluate significant information technology investments and expenditure	Applied	The Board considers significant Information Technology expenditure requests whilst approving the budgets for the next financial years. The expenses are monitored against the budgets on a monthly basis and any additional significant expenses not provided for in the budgets needs to be reappplied for and finally approved by the Board.

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55.		5.5	Information technology should form an integral part of the company's risk management	Applied	The risk matrix considers several Information Technology risks. The matrix is discussed and amended as a standing item on monthly management meetings, Audit and Risk Committee meetings and is reported to the Board on a quarterly basis.
56.		5.6	The board should ensure information assets are managed effectively	Applied	Asset registers and constant inspection of the Information Technology equipment ensures effective management of the assets. Upgrading of and replacement of equipment is monitored with additional controls to ensure that all Information Technology equipment is managed to their optimum and that these assets are not abused. The Board reviews the policies on a regular basis to ensure that the policies are up to date and complied with. Formal processes are in place to protect and manage information, including sensitive information process
57.		5.7	A risk committee and audit committee should assist the board in carrying out its information technology responsibilities	Applied	The Board delegates some of the responsibilities to the Audit and Risk Committee who monitors the Information and Technology Policies and compliance as a standing item at its meetings. The Committee reports to the Board if any significant Information Technology matter is identified during the Committee's review process.
<b>6. Compliance with Laws, Rules, Codes and Standards</b>					
58.	<b>Compliance</b>	6.1	The board should ensure the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Board monitors the compliance on a regular basis and amendments to legislation are considered. Legal compliance is assessed in an integrated manner with other risks at business unit level and reported to the Audit and Risk Committee. The Committee gives feedback to the board on a quarterly basis. Specialist opinions are accessed when required and directors and management attends information meetings at the company's secretary's premises regarding updated legislation. Designated advisors are also consulted when guidance is required regarding specific issues such as director's dealings. The Board is satisfied that Poynting complies with the applicable laws.
59.		6.2	The board and each director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business	Applied	It is a company policy that all Directors attend the Directors Induction Program when accepting a director's position at Poynting. Directors attend information meetings at the company's secretary's premises regarding updated legislation. Designated advisors are also consulted when guidance is required regarding specific issues such as director's dealings. The Board is satisfied that the directors of Poynting have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.



No.	Area	Chapter	Requirement	Status	Comments
60.		<b>6.3</b>	Compliance risk should form an integral part of the company's risk management process	Applied	Compliance risk forms part of the risk matrix that is monitored monthly and quarterly by the directors as a standing item on the relevant meetings
61.		<b>6.4</b>	The board should delegate to management the implementation of an effective compliance framework and processes	Applied	Executive Management participate in fortnightly meetings where compliance matters are discussed. Divisional heads attend monthly directors meetings where compliance issues and the risk matrix that is a standing item on the agendas. Effective compliance is delegated by the board to management level.
<b>7. Internal Audit</b>					
62.	<b>The Need for and Role</b>	<b>7.1</b>	The board should ensure there is an effective risk-based internal audit	Under review / Do not comply	The Audit and Risk committee agreed that the internal audit function would be performed by the group finance department, which for a part of the year had a resource dedicated to internal audit. The Board, as a whole, also considers internal controls. While considering the information and explanations given by management, as well as discussions held with the external auditor on audit results, the committee is of the opinion that the system of internal financial controls are effective, and forms a basis for the preparation of reliable financial statements
63.	<b>Approach and Plan</b>	<b>7.2</b>	Internal audit should have a risk-based approach to its plan	Under review / Do not comply	The Audit and Risk Committee identifies significant risk areas through its assessment of the risk matrix and the financial results. When considering the information and explanations given by management in respect of activities in the group, the committee then directs the group finance resources as appropriate.
64.		<b>7.3</b>	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	Under review / Partially applied	The Board considers the effectiveness of internal control based on continuous feedback from the Audit and Risk Committee, executive management, and the results of any specific reviews by finance as requested by the Audit and Risk Committee. The external auditor also prepares a formal report on its findings during the year end audit The Board agreed that the internal audit function would be performed by the group finance department, which recruited a dedicated resource.
65.		<b>7.4</b>	The audit committee should be responsible for overseeing internal audit	Applied	The Audit and Risk Committee oversees the internal audit function and feedback is given by the Committee to the Board on a quarterly basis.

No.	Area	Chapter	Requirement	Status	Comments
66.	Status in the Company	7.5	Internal audit should be strategically positioned to achieve its objectives	Under review / Partially applied	Poynting does not have an Internal Audit department and the function is currently performed by the Group Finance department that has access to the internal control functions within the Group.
<b>8. Governing Stakeholder Relationships</b>					
67.	Governing stakeholder relationships	8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	The Board and Management are mindful of the treatment of all shareholders and in keeping with the JSE Listings Requirements endeavour not to place any Shareholders interests above another. The Group complies with the JSE Listings Requirements on disclosure of information to shareholders. Material price-sensitive information is disclosed to shareholders as soon as management, a committee or the Board becomes aware of the material information. Any material price-sensitive information and other relevant information are published on SENS in accordance with the Listings Requirements. The CEO and the investor's relationship management are present at all road shows and key stakeholder visits, providing for direct shareholder engagement
68.		8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied	The Board has delegated to the Executive team the management of stakeholder relationships which is managed at various levels within the organisation utilising various platforms. A specialist public relations resource exists to engage and proactively with stakeholders. Issues and requests from stakeholders are managed with care. Regular engagement with key stakeholders provides valuable information as to their expectations. While stakeholder engagement takes place across the company, a senior executive is responsible for key stakeholder relationships.
69.		8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied	By ensuring adequate monitoring of request from stakeholders and the appropriate professional feedback the Board has managed to strike a fine balance between its stakeholders and the best interests of the company.
70.		8.4	Companies should ensure the equitable treatment of shareholders	Applied	All shareholders, including minority shareholders, are treated equally. The company abides by the requirements of the Johannesburg Stock Exchange ensuring that full, equal and timely public disclosure is made to all shareholders and the general public on the activities of the Company that are price sensitive.
71.		8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	In terms of our stakeholder engagement policy and in line with our corporate values of honesty and connectedness, the board provides information to stakeholders that is complete, timely, relevant, accurate and easily accessible.

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72.	Disputes	8.6	The board should ensure disputes are resolved as efficiently and expeditiously as possible	Applied	Disputes are referred to management as soon as they occur and are addressed promptly. Any material disputes are reported to the relevant Board committees. The Audit and Risk Committee monitors all material legal disputes and reports to the Board quarterly. Proper dispute resolution practices are in place.
<b>9. Integrated Reporting and Disclosure</b>					
73.	Transparency and accountability	9.1	The board should ensure the integrity of the company's integrated report	Applied	The Audit and Risk Committee reviews the integrity of the integrated report and recommends approval of the report to the Board. The Board reviews the report and finally approves the content of the integrated report prior to publication.
74.		9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	Several sustainability matters such as revenue, growth and production capabilities are addressed in the Integrated report. Sustainability as well as disclosure of some integral parts of Poynting's strategy forms an integrated part of the company's financial reporting structure.
75.		9.3	Sustainability reporting and disclosure should be independently assured	Applied	The designated advisors and others assisting with the drafting of the Integrated report comment on the sustainability comments and disclosure of the information. Matters are debated and reworded to ensure the shareholders are informed without creating doubt to the true meaning of the disclosure.