

# PRINCIPLES OF CORPORATE GOVERNANCE

Novus Holdings Limited



## KING III APPLICATION

The Directors have pro-actively taken steps to ensure that the Company is fully compliant with the King Code recommendations that are considered mandatory by the JSE and that the Board is of the opinion that the Issuer is compliant as from 23 February 2015. The Board will continually review and assess the assimilation and entrenchment of governance best practices in the Group.

KING III CODE PRINCIPLE	COMMENTS
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	CHAPTER 1
The Board should provide effective leadership based on an ethical foundation.	<b>Applied</b> – The Board is committed to promoting the highest standard of ethical behaviour in the Group. The Social and Ethics Committee will be charged with the responsibility of monitoring and assessing compliance and reporting to shareholders in this regard.
The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	<b>Applied</b> – Through the Social and Ethics Committee, the Board will discharge its duties in this regard. Non-financial performance, risks and the impact of its operations will be considered by the Board.
The Board should ensure that the Company’s ethics are managed effectively.	<b>Applied</b> – The Board shall oversee the adoption and implementation of a Code of Conduct for the Group and compliance shall be monitored by the Social and Ethics Committee to assist the Board to discharge its responsibilities in this regard.
BOARD AND DIRECTORS	CHAPTER 2
The Board should act as the focal point for and custodian of corporate governance.	<b>Applied</b> – The terms of reference of the Board specifically emphasises this responsibility to ensure that their leadership is based on these principles.  Board meetings are conducted on a regular basis, at least four times per year.  The Board is supported by sub-committees that have been delegated responsibility and provide feedback to the Board in this regard. The Board has established the following committees:

	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk Committee</li> <li>• Social and Ethics Committee</li> <li>• Remuneration Committee</li> <li>• Nomination Committee</li> <li>• Investment Committee</li> </ul>
The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	<p><b>Applied</b> – The Board reviews and approves strategy, helping to ensure alignment with the purpose of the company, key value drivers, sustainability and legitimate interests and expectations of stakeholders.</p> <p>The terms of reference of the Board specifically emphasises this responsibility, which will be allocated to the Chief Executive Officer and considered by the Board.</p>
The Board should provide effective leadership based on an ethical foundation.	<p><b>Applied</b> – The Board is committed to promoting the highest standard of ethical behaviour in the Group. The Social and Ethics Committee will be charged with the responsibility of monitoring and assessing compliance and reporting to shareholders in this regard.</p>
The Board should ensure that the company is and is seen to be a responsible corporate citizen.	<p><b>Applied</b> – Through the Social and Ethics Committee, the Board will discharge its duties in this regard. Non-financial performance, risks and the impact of its operations will be considered by the Board.</p>
The Board should ensure that the company's ethics are managed effectively.	<p><b>Applied</b> – The Board shall oversee the adoption and implementation of a Code of Conduct for the Group and compliance shall be monitored by the Social and Ethics Committee to assist the Board to discharge its responsibilities in this regard.</p>
The Board should ensure that the company has an effective and independent audit committee.	<p><b>Applied</b> – The company has appointed an Audit Committee comprising three independent non-executive directors.</p>
The Board should be responsible for the governance of risk.	<p><b>Applied</b> – Through the appointed Risk Committee the Board has ensured the governance of risk is addressed.</p> <p>The terms of reference charges the committee with the responsibility of overseeing the preparation and integrity of the integrated reports for approval by the Board.</p>

The Board should be responsible for information technology (IT) governance.	Refer to Chapter 5.
The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Refer to Chapter 6.
The Board should ensure that there is an effective risk-based internal audit.	Refer to Chapter 7.
The Board should appreciate that stakeholders' perceptions affect the company's reputation.	Refer to Chapter 8.
The Board should ensure the integrity of the company's integrated report.	Refer to Chapter 9.
The Board should report on the effectiveness of the Company's system of internal controls.	<b>Applied</b> – The terms of reference of the Board (Board of Directors charter) specifically emphasises this responsibility which has been delegated to the Audit Committee. The effectiveness of internal controls will be reviewed with reference to the findings of the external auditors and monitored as a standing item on the agenda.
The Board and its Directors should act in the best interest of the Company.	<b>Applied</b> – In accordance with the Companies Act, the Directors owe fiduciary and statutory duties to the Company. All Directors understand and accept these duties and are committed to discharge their responsibilities in this regard to the best of their ability.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed.	<b>Applied</b> – The Board has business rescue proceedings that would be followed in the instance where the company has established it is in financial distress and requires such mechanisms to be activated.
The Board should elect a chairman of the Board who is an independent non-executive director. The chief executive officer of the Company should not also fulfil the role of the chairman.	<b>Applied</b> – The chairman of the Board is an executive director, NW Birch. In addition, JN Potgieter has been appointed as lead independent director. The roles of chairman of the Board and CEO are split.

<p>The Board should appoint the chief executive officer and establish a framework for the delegation of authority.</p>	<p><b>Applied</b> – KA Vroon has been appointed as CEO of the Company as of 29 July 2016 (member of the Board since 1 October 2008). The Board shall (through the Audit Committee) formulate, adopt and monitor a framework of delegation of authority for the CEO.</p>
<p>The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.</p>	<p><b>Applied</b> – The Board has nine members of which six are independent non-executive directors.</p>
<p>Directors should be appointed through a formal process.</p>	<p><b>Applied</b> – Directors are appointed by Shareholders in accordance with the Companies Act and the Company’s MOI. Nominations and interviews are managed by the Nominations Committee.</p>
<p>The induction of, and on-going training and development of Directors should be conducted through formal processes.</p>	<p><b>Applied</b> – The Directors receive appropriate induction and training to inform them of their duties, responsibilities, powers and potential liabilities. Individual training and development needs are discussed with each Board member on an ongoing basis. The Company Secretary takes responsibility for managing and coordinating this process.</p>
<p>The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.</p>	<p><b>Applied</b> – The role of the Company Secretary is currently being performed by Kilgetty Statutory Services (Pty) Ltd. The Board reviews the performance and suitability of the Company Secretary on an on-going basis to ensure the role is adequately fulfilled.</p>
<p>The evaluation of the Board, its committees and the individual Directors should be performed every year.</p>	<p><b>Applied</b> – The Board will ensure that the various Board committees and individual Directors as well as the Company Secretary are evaluated every year. This responsibility is that of the Board. The last evaluation process was undertaken during December 2016 / January 2017.</p>
<p>The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.</p>	<p><b>Applied</b> – The Board is assisted in fulfilling its duties by well-structured Board committees which function according to the Board approved terms of reference in executing their mandates for which the Board remains ultimately responsible.</p> <p>The Board has established the following committees in this regard:</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk Committee</li> <li>• Social and Ethics Committee</li> <li>• Remuneration Committee</li> <li>• Nomination Committee</li> </ul>

	<ul style="list-style-type: none"> <li>Investment Committee</li> </ul> <p>The majority of the Directors on the committees are non-executive and independent.</p>
A governance framework should be agreed between the Group and its subsidiary boards.	<b>Applied</b> – The Board will establish and oversee the implementation of such a framework. All the Board committee terms of reference include this responsibility.
The Company should remunerate Directors and executives fairly and responsibly.	<b>Applied</b> – The Remuneration Committee is charged with this responsibility and will review the Company’s relevant policies and processes in this regard.
The Company should disclose the remuneration of each individual Director.	<b>Applied</b> – The remuneration of each individual Director will be disclosed in the Annual Report in sufficient detail for shareholders to be able to vote on this at the AGM.
Shareholders should approve the Company’s remuneration policy.	<b>Applied</b> – Shareholders approved the remuneration policy through the non-binding vote passed at the Annual General Meeting of 23 September 2016.

AUDIT COMMITTEE*	CHAPTER 3
*As of 8 June 2016, the audit and risk committee was split into two committees; Audit Committee and the Risk Committee. Any reference to the Audit Committee prior to 8 June 2016 should be noted as the Audit and Risk Committee.	
The Board should ensure that the Company has an effective and independent Audit Committee.	<p><b>Applied</b> – The Board has established an Audit Committee comprising of three independent non-executive directors, all of which are suitably and adequately qualified.</p> <p>The chairman is very well qualified to fulfil the position and will not be the chairman of the Audit Committee. The chairman of the Audit Committee is BJ Olivier.</p>
Audit Committee members should be suitably skilled and experienced independent non-executive directors.	<b>Applied</b> – All the members are independent non-executive directors who qualify in terms of Regulation 42 of the Companies Regulations as regards qualifications and experience.
The Audit Committee is to be chaired by an independent non-executive director.	<b>Applied</b> – The Audit Committee is chaired by BJ Olivier, an independent non-executive director.

The Audit Committee should oversee integrated reporting.	<b>Applied</b> – The terms of reference charges the Committee with the responsibility of overseeing the preparation and integrity of the integrated reports for approval by the Board.
The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	<b>Applied</b> – The Board will oversee the adoption and implementation of a suitable assurance framework and has delegated this function to the Audit Committee.
The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	<b>Applied</b> – The Board has delegated this authority to the Audit Committee. The responsibility includes ensuring this Committee is satisfied with the expertise and experience of the chief financial officer.
The Audit Committee should be responsible for overseeing internal audit.	<b>Applied</b> – The Company does have an internal audit function which is overseen by the Audit Committee.
The Audit Committee should be an integral part of the risk management process.	<b>Applied</b> – The Audit Committee reviews the effectiveness of internal control systems and ensuring that all key areas of risks have been properly identified and mitigated.
The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	<b>Applied</b> – The Audit Committee nominates and appoints the Company's auditors and their terms of engagement in compliance with the requirements of the Companies Act.
The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	<b>Applied</b> – A comprehensive report will be provided in the annual report; reporting is regularly done by the Audit Committee to the Board.

<b>GOVERNANCE OF RISK*</b>	<b>CHAPTER 4</b>
*As of 8 June 2016, the audit and risk committee was split into two committees; Audit Committee and the Risk Committee. Any reference to the Audit Committee prior to 8 June 2016 should be noted as the Audit and Risk Committee.	
The Board should be responsible for the governance of risk.	<b>Applied</b> – The Risk Committee has been established in this regard and has the responsibility to review the effectiveness of internal control systems and ensuring that all key areas of risks have been properly identified and mitigated.

The Board should determine the levels of risk tolerance.	<b>Applied</b> – The Board will approve the Risk management framework established by the Risk Committee.
The Risk committee should assist the Board in carrying out its risk responsibility.	<b>Applied</b> – The Risk Committee reviews the effectiveness of internal control systems and ensuring that all key areas of risks have been properly identified and mitigated.
The Board should delegate to management the responsibilities to design, implement and monitor the risk management plan.	<b>Applied</b> – The Board will approve the Risk management framework established by the Risk Committee.
The Board should ensure that risk assessments are performed on a continual basis.	<b>Applied</b> – This will form part of the Company’s risk management policy, delegated to the Risk Committee.
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	<b>Applied</b> – This will form part of the Company’s risk management policy, delegated to the Risk Committee.
The Board should ensure that management considers and implements appropriate risk responses.	<b>Applied</b> – This will form part of the Company’s risk management policy, delegated to the Risk Committee.
The Board should ensure continual risk monitoring by management.	<b>Applied</b> – This will form part of the Company’s risk management policy, delegated to the Risk Committee.
The Board should receive assurance regarding the effectiveness of the risk management process.	<b>Applied</b> – The Risk Committee will provide feedback to the Board.
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	<b>Applied</b> – Comprehensive reporting will be contained in the Annual Report; the Risk Committee reports regularly to the Board through the circulation of minutes of its meetings.

<b>GOVERNANCE OF INFORMATION TECHNOLOGY</b>	<b>CHAPTER 5</b>
The Board should be responsible for information technology (IT) governance.	<b>Applied</b> – IT governance is monitored by the Risk Committee in terms of its relation to integrated reporting.

IT should be aligned with the performance and sustainability objectives of the company.	<b>Applied</b> – Assisted by management, the company ensures that the IT processes currently in place are aligned to the performance and sustainability objectives of the Board.
The Board should delegate to management the responsibility for the implementation of an IT governance framework.	<b>Applied</b> – The IT governance policy will form part of the IT governance framework, to be adopted; this responsibility has been delegated to the Risk Committee with a report back function to the Board.
The Board should monitor and evaluate significant IT investments and expenditure.	<b>Applied</b> – The Board oversees all significant investments and expenditure in accordance with its terms of reference and levels of authority.
IT should form an integral part of the company's risk management.	<b>Applied</b> – The Board has delegated this responsibility to the Risk Committee.
The Board should ensure that information assets are managed effectively.	<b>Applied</b> – The Board has delegated this responsibility to the Risk Committee.
The Audit and Risk Committee should assist the Board in carrying out its IT responsibilities.	<b>Applied</b> – The Board has delegated this responsibility to the Risk Committee with a report back function to the Board.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS	CHAPTER 6
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	<b>Applied</b> – The terms of reference of the Risk Committee requires consideration of these matters, which responsibility has been assigned to the Company Secretary. This will be a standing item on the agenda of the Risk Committee meetings.
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.	<b>Applied</b> – The Board will be assisted by the Company Secretary and its JSE Equity Sponsor in this regard.
Compliance risk should form an integral part of the Company's risk management process.	<b>Applied</b> – The Risk Committee has been charged with this responsibility on behalf of the Board with the assistance of the Social and Ethics Committee and the Company Secretary.

The Board should delegate to management the implementation of an effective compliance framework and processes.	<b>Applied</b> – The Board oversees the adoption and implementation of compliance in this regard.
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INTERNAL AUDIT	CHAPTER 7
The Board should ensure that there is an effective risk based internal audit.	<b>Applied</b> – The Company has an Internal Audit function. The Audit Committee assumes responsibility for the monitoring of assurance both internal and external.
Internal audit should follow a risk based approach to its plan.	<b>Applied</b> – The internal audit function is based on a risk approach and is monitored by the Audit Committee which is routed in a risk based approach of monitoring.
Internal audit should provide a written assessment of the effectiveness of the company’s system of internal controls and risk management.	<b>Applied</b> – The Audit Committee assumes responsibility for the monitoring of internal audit and reports back to the Board in this regard.
The Audit Committee should be responsible for overseeing internal audit.	<b>Applied</b> – The Company has an Internal Audit function. The Audit Committee assumes responsibility for the monitoring of assurance both internal and external.
Internal audit should be strategically positioned to achieve its objective.	<b>Applied</b> – The Company has an Internal Audit function. The Audit Committee assumes responsibility for the monitoring of assurance both internal and external.

GOVERNING STAKEHOLDER RELATIONSHIPS	CHAPTER 8
The Board should appreciate that stakeholders’ perceptions affect a company’s reputation.	<b>Applied</b> – The Board subscribes to transparent and interactive engagement with stakeholders.  The Integrated Annual Report will reflect the interests of all stakeholders positioning key actions to maintain positive perceptions about the company and its activities.
The Board should delegate to management to proactively deal with stakeholder relationships.	<b>Applied</b> – The Board has delegated to management in various levels in the Group by utilising different platforms for interaction.

The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interest of the Company.	<b>Applied</b> – The Board appreciates the diverse range of stakeholders and management has been appropriately assigned to manage these relationships.
Companies should ensure the equitable treatment of Shareholders.	<b>Applied</b> – The Board is aware of its responsibilities in this regard in terms of the Companies Act and the Listings Requirements.
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	<b>Applied</b> – The Board subscribes to transparent and interactive engagement with stakeholders.
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	<b>Applied</b> – Disputes are escalated to Senior Management and resolved as a matter of urgency. Material disputes are reported to the Board.
<b>INTEGRATED REPORTING AND DISCLOSURE</b>	<b>CHAPTER 9</b>
The Board should ensure the integrity of the Company’s integrated report.	<b>Applied</b> – As per the terms of reference of the Board and the Audit Committee. The Company issued its first Integrated Annual Report for the period ending 31 March 2015. Integrated Reports will be issued on an annual basis. The Board is committed to ensuring the integrity of these reports.
Sustainability reporting and disclosure should be integrated with the Company’s financial reporting.	<b>Applied</b> – This will be applied in the preparation of the Company’s Integrated Annual Reports.
Sustainability reporting and disclosure should be independently assured.	<b>Applied</b> – External assurance will be applied to the full financial reporting process, which would include this disclosure.