

# Corporate governance report

The Board of Directors and management are committed to leadership with integrity, responsibility, accountability and transparency. They regard good corporate governance as an effective mechanism for encouraging efficiency in operations and to ensure that the needs of different stakeholder groups are balanced.

## THE BOARD'S ALIGNMENT WITH THE OUTCOMES OF KING IV™

The Board has ultimate accountability to the members of the Co-operative and responsibility for the performance of the Group in providing services to the communities it serves.

Governance is evident in Iemas' organisational culture of commitment to establish effective processes and procedures, which aims to achieve objective other than merely legal compliance. It aims to ensure that the Group achieves high standards of ethical behaviour and good performance outcomes.

The Board believes that the Group's conformance to the King IV™ principles is integrated into its governing practices, as far as practicable, in Iemas' unique business model.

The Board aims to fulfil the primary governing roles and responsibilities recommended in the King IV™, namely:

- to set and direct the strategic direction of the Group in accordance with co-operative principles;
- to consider and approve corporate policy and tactical planning;
- to oversee and monitor progress; and
- to ensure accountability.

in doing so, the Board has committed to fulfilling the following responsibilities:

- effectively delegate authority to a competent executive team.
- ensure that an effective strategy planning and execution process is defined and followed.
- ensure compliance with the compliance universe in which it operates.
- protect the interests of the members and other stakeholders to ensure fair treatment, responsible and transparent people practices.
- oversee the risk management function in support of the development and implementation of the strategy.

## IMPLEMENTATION OF KING IV™

To determine the impact of King IV™ on current governance practices within the Co-operative, a process of self-assessment was conducted. Internal workshops were conducted with staff members and members of the Executive Committee to establish the scope of the application of the various principles contained in King IV™. Management evaluated current Iemas practices within these focus areas and provided evidence to confirm that the principles indeed are applied.

In areas where the principles contained in King IV™ are not being applied, management is assessing to which extent the specific principles are applicable to Iemas and how Iemas would in the future incorporate such principles. Subsequently, management formulated plans to ensure the application of the principles, where applicable.

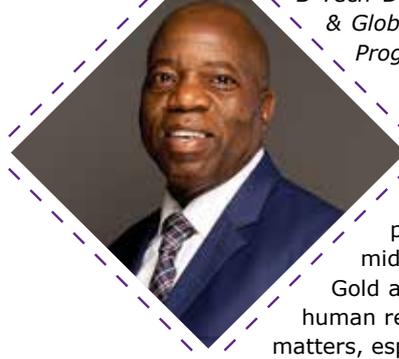
## KING IV™ CORPORATE GOVERNANCE REPORT

During the reporting period, Iemas applied and explained the principles and recommended practices of King IV™ applicable to the Group, disclosed in this report, for the first time.

## BOARD OF DIRECTORS

### *Independent non-executive directors*

#### **Anton Buthelezi (54)**



*B-Tech Degree Labour Relations Management (Unisa), Diploma Labour Law (GIMT & Global Business School), National Diploma HR Management (Unisa), Certificate Programme in Business Leadership Development (Wits)*

Date appointed: 31 October 2018

Anton has more than 30 years' experience in human resources management in the mining industry. He is currently an Executive Manager – Human Resources and Labour Relations with Harmony Gold. Previous positions include Senior Human Resources Officer at AngloGold Ashanti and mid and senior managerial positions in the same field at African Rainbow Minerals Gold and Samancor Chrome. He has a proven track record in the full spectrum of human resource functions. Anton also has an outstanding record in managing labour matters, especially in conducting and guiding negotiations with organised labour.

#### ***Iemas Committee membership***

Human Resources Committee – member

#### **Len de Villiers (63)**



*D.IS (Harvard), National Diploma in EDP (Tygerberg College), GITI – INSEAD (France)*

Date appointed: 31 October 2014

Len has 30 years' experience in information technology and was Group CIO of Absa Bank, Nedbank, First National Bank, Transaction Capital, Telkom and the JSE. He is Chairman of the CIO Council of South Africa, which represents the top 200 CIOs in South Africa and was voted "the most admired CIO in South Africa" by this Council in 2009. Len serves on the Boards of Moyo Business Advisory, Zambia National Commercial Bank (ZANACO) and the Advisory Board of the University of Pretoria. Len also assists Tiger Brands, Teba Investments and the JSE with strategic advice on technology.

#### ***Iemas Committee membership***

Information Technology Committee – Chairman

#### **Prudence Lebina (38)**



*CA(SA), BCom, Higher Diploma Accounting, certificate in business leadership (Columbia Business School)*

Member of the South African Institute of Chartered Accountants (SAICA)

Date appointed: 31 October 2016

Prudence is a chartered accountant with extensive experience in corporate finance, investor relations, investment banking and the mining industry. She is currently the Chief Executive Officer of GAIA Infrastructure Capital, an infrastructure investment holding company listed on the main board of the JSE. Prior to this, she was Head of Corporate Development and Investor Relations at Atlatsa Resources Corporation. She was also an Investor Relations Manager and Corporate Finance Principal Analyst at Exxaro Resources. She is an independent non-executive director on the Board of DRDGold.

#### ***Iemas Committee membership***

Audit and Risk Committee – member

**BOARD OF DIRECTORS** (continued)

**Independent non-executive directors** (continued)

**Retha Piater** (64)

*BCom (Hons), MBA, Advanced Management Programme (INSEAD)*

Date appointed: 10 July 2014

Retha has extensive experience in human resources management, including the development and execution of people strategy, managing the people life cycle, support and enabling people processes. She started her career in the human resources field in the mining industry and has experience in generalist roles at several mines and on commodity level as Human Resources Manager and Group Manager: Remuneration, Benefits and Human Resources Systems. Retha was the Executive Head of Human Resources for the Exxaro Resources group of companies prior to her retirement in 2016.

**Iemas Committee membership**

Human Resources Committee – Chairman

**Vusi Sampula** (54)

*BTech Human Resources, Advanced Diploma Labour Law*

Date appointed: 31 October 2014

Vusi is the Vice-President of employee relations at Sibanye Gold. He has extensive experience in human resources management. Vusi previously served on the Boards of Directors of the Social and Labour Plan Trust Fund at Harmony Gold, Masakhane Provident Fund at Lonmin and Thusano Trust Fund at Sibanye Gold. Vusi is currently studying towards his BCom Honours degree in employee relations.

**Iemas Committee membership**

Human Resources Committee – member

**Dashni Sinivasan** (50)

*CA (SA), BCom (Hons), CTA, BCom Economics*

Date appointed: 31 October 2017

Dashni is a chartered accountant and is currently employed at Exxaro Resources as the Group Financial Manager responsible for reporting. She previously held positions as General Manager Finance, Treasury Controller and Management Accountant and has extensive experience in corporate finance and statutory financial reporting. Dashni also has experience, at senior level, in people management, statutory compliance and stakeholder relations.

**Iemas Committee membership**

Audit and Risk Committee – member

**Willem van Heerden** (69)

*BCom (Hons), CA(SA), Advanced Management Programme at Darden Business School (University of Virginia)*

Date appointed: 6 December 2014

Willem served as partner at PwC and moved to commerce later in his career, where he held senior positions in Iscor, Kumba Resources and Kumba Iron Ore. He currently serves on a number of company and pension fund Boards. On 22 November 2018, Willem was appointed as Chairman of the Iemas Board of Directors.

**Iemas Committee membership**

Human Resources Committee - member

Information Technology Committee – member

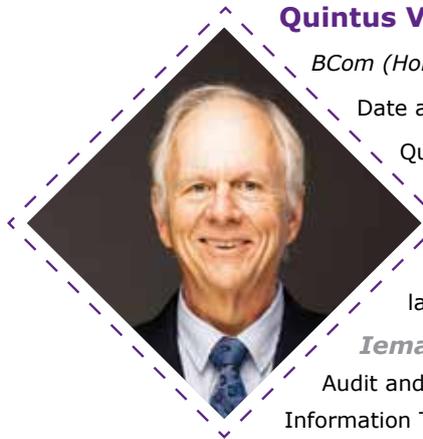
**BOARD OF DIRECTORS** (continued)

**Independent non-executive directors** (continued)

**Quintus Vorster** (67)

*BCom (Hons), CTA, CA(SA), MCom, PhD*

Date appointed: 12 April 2017



Quintus is a chartered accountant and prior to his retirement in April 2017, he was the director of finance at the University of Pretoria. He has extensive experience in various disciplines including corporate governance, risk management, auditing and financial management. During his career, Quintus published a number of academic articles, research reports and books and supervised a large number of student research projects.

**Iemas Committee membership**

Audit and Risk Committee – Chairman

Information Technology Committee – member

**Executive directors**

**Tom O’Connell** (48)

*Chief Financial Officer*

*BCom (Hons), CTA, CA(SA), Management Development Programme (MDP), International Executive Programme (INSEAD)*

Member of the South African Institute of Chartered Accountants (SAICA)



**Banie van Vollenhoven** (57)

*Group Chief Executive Officer*

*BCompt (Hons), CTA, CA(SA), MSc in Project Management (cum laude), Advanced Executive Programme (Unisa SBL)*

Member of the South African Institute of Chartered Accountants (SAICA), Independent Regulatory Board of Auditors (IRBA) and PMSA (Project Management South Africa)



A brief curriculum vitae of each of the executive directors is disclosed on page 18 under the Executive Committee.

*Ages as at 31 August 2019*

## Attendance at board meetings

Attendance by each of the directors during F2019 was as follows:

Member	Designation	19 Oct 2018	22 Nov 2018	16 Apr 2019	29 Aug 2019
Anton Buthelezi <sup>1</sup>	Independent non-executive director	x	✓	✓	✓
Len de Villiers	Independent non-executive director	✓	✓	✓	✓
Prudence Lebina	Independent non-executive director	✓	✓	✓	✓
Temba Mvusi <sup>2</sup>	Independent non-executive director and Chairman of the Board	✓	n/a	n/a	n/a
Johan Nel <sup>3</sup>	Group Chief Executive Officer	✓	✓	n/a	n/a
Tom O'Connell	Chief Financial Officer	✓	✓	✓	✓
Retha Piater	Independent non-executive director	x	✓	✓	✓
Vusi Sampula	Independent non-executive director	x	x	x	✓
Dashni Sinivasan	Independent non-executive director	✓	✓	✓	✓
Willem van Heerden <sup>4</sup>	Independent non-executive director and Chairman of the Board	✓	✓	✓	✓
Banie van Vollenhoven <sup>5</sup>	Group Chief Executive Officer	n/a	n/a	✓	✓
Quintus Vorster	Independent non-executive director	✓	✓	✓	✓
Piet Wolmarans <sup>6</sup>	Executive director	✓	✓	✓	n/a

<sup>1</sup> Anton Buthelezi appointed as non-executive director to the Board at the AGM on 30 October 2018

<sup>2</sup> Temba Mvusi retired from the Board at the AGM on 30 October 2018

<sup>3</sup> Johan Nel retired effective 31 December 2018

<sup>4</sup> Willem van Heerden elected as Chairman of the Board at the Board meeting on 22 November 2018

<sup>5</sup> Banie van Vollenhoven appointed as Group CEO effective 1 January 2019

<sup>6</sup> Piet Wolmarans resigned from the Board on 1 June 2019

## IEMAS' APPLICATION OF KING IV™ PRINCIPLES AND PRACTICES

Iemas complies with the principles and recommended practices of King IV™, applicable to the Co-operative, and applied these principles and recommended practices during the reporting period, as disclosed.

## LEADERSHIP

### Principle 1: The governing body should lead ethically and effectively.

The Board is committed to high standards of corporate governance that are required to ensure the success and long-term sustainability of the Group. It is of the opinion that ethical and effective leadership forms the foundation for good governance, as leaders define the strategy, provide the direction and establish the values and ethics that will guide the practices and behaviour of the Group.

Arrangements by which Board members are being held to account for ethical and effective leadership include, but are not limited to, performance assessments of individual directors as well as of the Board as a whole, which are conducted every second year. A procedures document has been developed in this regard.

#### Planned areas of future focus

The Charter of the Human Resources Committee will be amended to include ethics-related responsibilities and to fulfil the responsibilities of an Ethics Committee and to disclose to stakeholders how the Board is being held to account for ethical governance and leadership.

## ORGANISATIONAL ETHICS

### Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Group's Code of Conduct gives effect to Iemas' core values of integrity, teamwork, ownership and accountability, professionalism, innovation and dignity that guide its relationships with stakeholders.

#### Planned areas of future focus

The Iemas Code of Conduct will be amended to very specifically address ethics and the management thereof as well as to include the requirements and expectations regarding employees' ethical behaviour towards all stakeholder groups.

The monitoring and assessment on adherence to ethics norms will be incorporated in the Internal Audit programmes, including reporting to the Board on the findings on all known incidents and awareness campaigns undertaken.

## RESPONSIBLE CORPORATE CITIZENSHIP

**Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**

Iemas is committed to sustainable development and recognises that it has social, economic and environmental responsibilities, as defined in its corporate citizenship guidelines. Sustainable financial performance, good governance, adherence to regulations and legislation, transparent stakeholder relationships, responsible and inclusive financial services provision, socio-economic development, management of its environmental impact and a strong focus on fair employee practices are guiding principles for the way in which Iemas conducts its business. The Board ensures that the Group is a responsible corporate citizen and that it maintains an ethical corporate culture.

Oversight and monitoring of activities and outputs that affect Iemas' status as a responsible corporate citizen includes:

- workplace (employment equity, fair remuneration, health and safety, training and development of employees);
- economy (economic transformation, prevention, detection and response to fraud and corruption); and
- society (consumer protection, community development and protection of human rights).

### *Planned areas of future focus*

The Board, through the Human Resources Committee, will be considering measures to monitor organisational ethics and methods by which to address outcomes.

## STRATEGY AND PERFORMANCE

**Principle 4: The governing body should appreciate that the organisation's core purposes, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**

The Board informs and approves Iemas' strategy, which is aligned with the purpose of the Group, the value capitals and value drivers of the business, and the expectations of its stakeholders. The strategy is aimed at ensuring sustainability and which takes into account the top risks facing the Group. With the support of the

Board Committees, the Board of Directors oversees and monitors the implementation and execution by management of the policies, procedures and priorities. It ensures that Iemas accounts for its performance by, amongst others, reporting and disclosure.

Global, local, internal as well as external factors and/or assumptions are considered in the formation of Iemas' strategy.

### *Planned areas of future focus*

Going forward, the needs and preferences of members, in specific market segments, need to be tested in specific focus groups to guide certain components of the strategy execution. Strategic assumptions will be tested frequently to assure the relevance of the strategy and to facilitate interventions and amendments to the strategy.

Key performance indicators will be developed in the various operating areas of the business, after an evaluation of industry benchmarks and frequent feedback will be given to the Board on performance against these indicators.

## REPORTING

**Principle 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.**

Iemas subscribes to the principle that formal and rigorous processes should be implemented to independently verify and safeguard the integrity of its corporate reporting. Materiality levels are determined as part of the external audit planning process.

The Board, before it approves the annual report and financial statements for a financial period, receives a declaration from the Group Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records have been properly maintained. Also, the financial statements must comply with the appropriate accounting standards giving a true and fair reflection of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and effective internal control.

### *Planned areas of future focus*

Disclosure in respect of materiality levels will be included in the annual report in the future.

## PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY

### Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board provides guidance to management in formulating the Group's strategic direction, objectives and values. The responsibilities of the Board and its Committees are directed by the Co-operatives Act, No 14 of 2005, as amended, the Constitution of the Co-operative, good corporate governance practices and Board and Committee Charters.

The Board and its Committees are provided with complete, accurate and timely information that enable them to perform their responsibilities. Board members have unrestricted access to Group information, records, documents and property. Non-executive directors have access to management and may meet separately with them, without the attendance of executive directors.

The Board meets at least quarterly to evaluate and monitor business matters that impact the Group and its stakeholders. Agenda items include Group strategy, policy decisions, instituting control measures and the appraisal of proposals from the Executive and other Board Committees.

### Planned areas of future focus

The Charters of the Board and all the Board Committees will be updated to explicitly include the respective roles and responsibilities pertaining to the enhancement of Iemas' responsible corporate citizenship status.

## COMPOSITION OF THE GOVERNING BODY

### Principle 7: The governing body should comprise of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

#### Board composition

The Board of Directors is accountable to the Annual General Meeting, being the general meeting of members and the highest decision-making body composed by a quorum duly held, and the Group. The Board has ten members including eight non-executive directors, all of whom are independent, and two executive directors.

The roles of the Chairman and the Group Chief Executive Officer are separate and the composition of the Board ensures that there is an appropriate balance of power and authority so that no one individual or block of individuals has unfettered powers of decision-making and authority. The majority of the Board is elected by the members of Iemas.

#### Independence assessment

The policy on the independence of directors requires all non-executive directors to complete an independence questionnaire to establish whether they meet objective independence criteria. The completed questionnaires were evaluated by the Board and it was concluded that all the non-executive directors are independent.

#### Appointment of directors and term of office

When appointing directors, the Board takes cognisance of its needs in terms of skills, experience, diversity, size and knowledge. The nomination and election of members to the Board are governed by the requirements of the Co-operatives Act, No 14 of 2005, as amended, as well as the requirements of the Iemas Constitution. The Board has also established processes and procedures to encourage and consider Board member nominations from among Iemas' members.

The credentials and demographic profile of the Board are reviewed by the Human Resources Committee to ensure that the Board's composition remains strategically and operationally appropriate. Directors are appointed either for a maximum term of seven years.

The Board established a formal orientation programme to familiarise incoming directors with the Group's operations and business environment, their fiduciary duties and responsibilities and the Board's expectations in respect of their commitment and ethical behaviour.

The Co-operative Secretary is responsible for the director induction programme.

A staggered rotation of directors ensures continuity of experience and knowledge. The Board has implemented a Board succession plan that involves preparing for future Board retirements, Committee composition, rotations and Committee Chairman nominations.

### Chairman and Group Chief Executive Officer

At the first Board meeting after the AGM, the directors elect, from among themselves, a Chairman. The Board is chaired by an independent non-executive director. The role of the Chairman is formalised, and his performance is assessed by the Board. The Board of Directors is chaired by Willem van Heerden, who was appointed as Chairman on 22 November 2018.

The daily management of the Group's affairs is delegated to the Group Chief Executive Officer, who manages the implementation of the Board approved strategy through the Executive Committee, whose photographs and brief curriculum vitae appear on pages 17 and 18 of this report.

### Group Chief Executive Officer succession planning

The Board appoints the Group Chief Executive Officer and ensures that succession is planned. The Board collaborates with the Group Chief Executive Officer to develop the next generation of leaders to address both short and long-term succession scenarios.

On 31 December 2018, Johan Nel retired as Group CEO of Iemas. Banie van Vollenhoven was appointed as Group CEO of Iemas effective 1 January 2019.

### Planned areas of future focus

The Board will review, at least annually, its composition and diversity targets, as well as the appropriateness of the skills, experience, expertise of individual directors and the effectiveness of the Board as a whole.

## COMMITTEES OF THE GOVERNING BODY

**Principle 8: The governing body should ensure that its arrangements for delegation within its own structures, promote independent judgement, assist with balance of power and the effective discharge of its duties.**

The Board has the power to appoint Board Committees and to delegate powers, at the discretion of the Board, to such Committees. The Board retains ultimate accountability for performance and corporate governance. Each Committee member is selected according to the skills sets required for the Committee to fulfil its functions.

### Audit and Risk Committee

The members of the Audit and Risk Committee are appointed by the Board at the first Board meeting after the AGM for a one-year term of office. The Committee consists of at least three members, all of whom must be independent non-executive directors. The Board also appoints the Chairman of the Committee. The Chairman of the Iemas Board is excluded from being a member of the Audit and Risk committee. The Group Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit are permanent invitees to the meetings of the Committee. The external auditors also attend the meetings.

The Committee ensures the integrity of the financial reporting and reviews the effectiveness of the financial reporting process, system of internal control, management of risks, internal audit function, assurance process and the Group's process of monitoring compliance with legislation and regulations. The report on risk management appears on pages 25 to 27 and the report of the Audit and Risk Committee appears on pages 56 to 59 of this report.

Attendance by each of the members and the permanent invitees of the Audit and Risk Committee during the period under review, was as follows:

Member	Designation	9 Oct 2018	27 Mar 2019	30 May 2019	20 Aug 2019
Prudence Lebina	Independent non-executive director	✓	✓	✓	✓
Sydney Maluleka*	Head of Internal Audit	✓	✓	✓	✓
Johan Nel <sup>1</sup>	Group Chief Executive Officer	✓	n/a	n/a	n/a
Tom O'Connell *	Chief Financial Officer	✓	✓	✓	✓
Dashni Sinivasan	Independent non-executive director	x	✓	✓	✓
Willem van Heerden <sup>2</sup>	Independent non-executive director and Chairman of the Audit and Risk Committee	✓	n/a	n/a	n/a
Banie van Vollenhoven <sup>3</sup>	Group Chief Executive Officer	n/a	✓	✓	✓
Quintus Vorster <sup>4</sup>	Independent non-executive director and Chairman of the Audit and Risk Committee	✓	✓	✓	✓

\* Permanent invitee

<sup>1</sup> Johan Nel retired effective 31 December 2018

<sup>2</sup> Willem van Heerden appointed as Chairman of the Board effective 22 November 2018. He is therefore not allowed to serve on the Audit and Risk Committee as per the Audit and Risk Committee Charter

<sup>3</sup> Banie van Vollenhoven appointed as Group CEO effective 1 January 2019

<sup>4</sup> Quintus Vorster appointed as Chairman of the Audit and Risk Committee on 22 November 2018

## Human Resources Committee

The members of the Human Resources Committee are appointed by the Board at the first Board meeting after the AGM for a one-year term of office. It must consist of at least three members, all of whom must be independent non-executive directors. The Group Chief Executive Officer and the Group Manager of Human Resources are permanent invitees to the meetings of the Committee. The Board appoints the Chairman of the Committee. Although the Chairman of the Board qualifies to be a member of the Human Resources Committee, he is not eligible to be appointed as Chairman of this Committee.

The Human Resources Committee is responsible for approving Iemas' human resources strategy, including its remuneration and reward policy, conditions of employment, development and training interventions, performance management, transformation, employment equity and skills development. It also acts as a selection committee to make recommendations on the appointment of nominated non-executive directors.

Attendance by each of the members and of the permanent invitees of the Human Resources Committee during the period under review was as follows:

Member	Designation	26 Sep 2018	7 Mar 2019	5 May 2019	24 Jul 2019
Leonie Louw *	Group Manager: Human Resources	✓	✓	✓	✓
Anton Buthelezi <sup>1</sup>	Independent non-executive director	n/a	✓	x	✓
Temba Mvusi <sup>2</sup>	Independent non-executive director	x	n/a	n/a	n/a
Johan Nel <sup>3</sup>	Group Chief Executive Officer	✓	n/a	n/a	n/a
Retha Piater	Independent non-executive director and Chairman of the Human Resources Committee	✓	✓	✓	✓
Vusi Sampula	Independent non-executive director	✓	✓	✓	✓
Banie van Vollenhoven <sup>4</sup>	Group Chief Executive Officer	n/a	✓	✓	✓
Willem van Heerden <sup>5</sup>	Independent non-executive director	n/a	✓	✓	✓

\* Permanent invitee

<sup>1</sup> Anton Buthelezi appointed to the Human Resources Committee on 22 November 2018

<sup>2</sup> Temba Mvusi retired from the Human Resources Committee on 26 September 2018

<sup>3</sup> Johan Nel retired effective 31 December 2018

<sup>4</sup> Banie van Vollenhoven appointed as Group CEO effective 1 January 2019

<sup>5</sup> Willem van Heerden appointed to the Human Resources Committee on 22 November 2018

## Information Technology (IT) Committee

The IT Committee assists the Board in fulfilling its IT governance responsibilities in order to ensure the achievement of corporate objectives. The Committee comprises three non-executive directors, appointed by the Board for a one-year term of office, and is complemented by two external members with expert knowledge in IT related fields. The two external specialist members are appointed by the members of the Committee on an annual basis. During the reporting period, one of the external specialist members resigned. The Chairman of the Committee is appointed by the Board and is an independent non-executive director. The Group Chief Executive Officer, Chief Financial Officer and Chief Information Officer are permanent invitees to the meetings of the Committee.

Attendance by each member and the permanent invitees of the IT Committee during the period under review was as follows:

Member	Designation	14 Mar 2019	13 Aug 2019
Chris Bornman*	Chief information officer	✓	✓
Len de Villiers	Independent non-executive director and Chairman of the IT Committee	✓	✓
Johan Nel <sup>1</sup>	Group Chief Executive Officer	n/a	n/a
Tom O'Connell*	Chief Financial Officer	✓	✓
Willem van Heerden	Independent non-executive director	✓	✓
Banie van Vollenhoven <sup>2</sup>	Group Chief Executive Officer	✓	✓
Quintus Vorster	Independent non-executive director	✓	✓
Louis Fourie	Specialist adviser to IT Committee	✓	✓
Pete Janse van Vuuren <sup>3</sup>	Specialist adviser to IT Committee	n/a	n/a

\* Permanent invitee

<sup>1</sup> Johan Nel retired effective 31 December 2018

<sup>2</sup> Banie van Vollenhoven appointed as Group CEO effective 1 January 2019

<sup>3</sup> Pete Janse van Vuuren resigned from the IT Committee on 1 October 2018

### **Specialist member of the IT committee**

**Louis Fourie** (61)

*BA, BTh, LTh (with distinction), MTh (with distinction), DTh, MBA (with distinction)*

Professor Louis Fourie retired in May this year as the Deputy Vice-Chancellor for Knowledge and Information Technology Services at the Cape Peninsula University of Technology. He currently focuses on consulting for various organisations and is a research fellow of the Economic and Social Research Foundation in Tanzania; research fellow of the University of the Free State, an associate of the Southern Africa Regional Universities Alliance, and Deputy Professor at the University of Arkansas, Little Rock. In addition to a distinguished academic career and notable contributions to his field of expertise, Louis has extensive consultation experience in the field of information and communication technology.

#### **Planned areas of future focus**

The Human Resources Committee's Charter will be amended to specifically include responsibilities relating to ethics.

The Board and its Committees have approved their respective annual workplans for the year ahead, which plans will be actioned and reported on in the 2020 annual report.

## **EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY**

**Principle 9: 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.**

### **Board evaluation**

The Human Resources Committee is responsible for ensuring that the effectiveness of the Board and its Committees are evaluated. Performance evaluation is a key measure by which the Board can recognise and improve corporate governance shortfalls in an effort to add real value to the Group and its stakeholders.

The Chairman annually appraises the Group Chief Executive Officer and the results of the appraisal are considered in the evaluation of the performance and remuneration of the Group Chief Executive Officer.

As recommended in the King IV™ report and approved by the Board, a review of the Board's performance is conducted every alternate year. The 2019 Board

performance review included, in addition to Board and Committee evaluations, the assessment of individual Board members' performance, as recommended in the King IV™ report and approved by the Iemas Board.

Evaluations conducted for F2019 identified no material concerns in respect of the performance of the Board, Board Committees and individual Board members.

#### **Planned areas of future focus**

The annual performance assessment of the Board, Board Committees and individual Board members will in the future include an assessment of the performance of the Co-operative Secretary.

An overview of evaluation results and remedial actions as well as the Board's views on the effectiveness of the evaluation process in improving performance will be disclosed in the 2020 annual report.

## **APPOINTMENT AND DELEGATION TO MANAGEMENT**

**Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.**

### **Delegation of authority**

The Board delegates certain of its powers and authority, outside of the reserved powers, to management and/or such committees or forums, as they may deem appropriate. The directors appreciate that, despite such delegation occurring, they remain ultimately responsible for the powers and authority so delegated and have therefore to monitor the effective execution of the same.

In the event of there being any dispute over the interpretation of the powers delegated by the Board to management, any committee or forum, the matter will be referred to the Board for a ruling and the decision of the Board in this regard shall be final and binding.

The Board is satisfied that the Delegation of Authority Framework contributes to role clarity and the effective exercise of authority.

### **Board Committees**

The Board has, in accordance with the delegation of authority, delegated some of its functions to directors, managers and Committees of the Board. The Board has an Audit and Risk, Human Resources and Information Technology (IT) Committee. Members of these Committees are independent, and both the Committee Chairmen and members are appointed annually by the Board.

Specific responsibilities are formally delegated to Board Committees, as defined in each Committee's Charter, which are reviewed annually. The Committees are appropriately constituted with due regard to the skills required by each Committee.

## Secretary of the Board

The Secretary of the Group is accountable directly to the Board. Directors may communicate directly with the office of the Secretary and vice versa. The decision to appoint or remove the Secretary of the Group is approved by the Board.

Francois van Dyk is the duly appointed Secretary of the Board. He is not a director of Iemas, and the Board is comfortable that he maintains an arm's length relationship with the Board and the individual directors. Francois has been the Secretary for the past eight years. Having regard for his abilities, qualifications, experience and the level of competence he has demonstrated over this time, the Board regards him as suitably qualified, competent and experienced to continue as the Secretary of the Board.

### *Planned areas of future focus*

Effective corporate governance is embedded in the values of the Group. The effective exercise of authority and responsibilities is therefore a regular agenda item on Board and Committee meeting agendas. This is to ensure that time constraints and potential conflicts of interests are considered and balanced against the opportunity for professional development.

## RISK GOVERNANCE

**Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

The Board considers risk management to be fundamental to good management practice and sound corporate governance. Risk management is integrated into all organisational processes.

The Board has ultimate responsibility for risk management and the nature and extent of the risks it is prepared to take to meet the business objectives. In determining the risk profile, the Board considers the dynamics of Iemas, its industry and any systemic risks. Risks are reviewed regularly in relation to the group's risk appetite and management's responses to mitigate key risks are evaluated.

Environmental risks are evaluated by the Board and are well entrenched in the strategic planning process to understand and deal with complexity and hidden interdependencies in the external environment that could affect the Co-operative.

The Board discloses to its stakeholders, at least annually in the annual report, sufficient information to enable them to assess whether the Board is executing its responsibilities effectively. The Group's five most material risks are listed on pages 25 and 26 of this report and additional detail is provided throughout this report.

### *Planned areas of future focus*

The risk analysis will be expanded to include opportunities identified and the management thereof.

A continuous assessment of the vulnerabilities of the Co-operative and its critical dependencies on its capitals and relationships will be conducted and reported to the Board.

## TECHNOLOGY AND INFORMATION GOVERNANCE

**Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**

IT governance is implemented according to the IT Governance Policy and Governance Framework. The Framework is based on the principles and controls defined in international standards. The IT Committee oversees that the IT strategy is defined, approved, reviewed and implemented in a manner that is aligned with the business strategy.

The IT Governance Framework also defines the organisational structure, policies and procedures that are required to facilitate good governance and compliance in the areas of technology and information security management.

### *Planned areas of future focus*

The immediate focus is the full implementation of the Iemas Business Modernisation program, whereafter all legacy systems can be migrated to the new system. Future focus will be on digitisation of the product suites within a secure cyber environment.

## COMPLIANCE GOVERNANCE

**Principle 13: The governing body should govern compliance with applicable laws and adopt, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**

The assessment of compliance to legislation, regulations and industry codes of conduct forms an integral part of the Co-operative's risk management process.

The Audit and Risk Committee provides oversight to ensure that Iemas has sufficient processes in place for the monitoring of compliance and reports to the Board on the adequacy and effectiveness of the Group's compliance function.

### *Planned areas of future focus*

The processes implemented, monitoring of activities as well as findings from the internal as well as external compliance functions will continuously be improved, and feedback will be given to the Audit and Risk Committee and the Board.

An independent interview with the Head of Compliance will be conducted annually to ensure the adequacy and effectiveness of the compliance function.

## REMUNERATION GOVERNANCE

**Principle 14: 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 the short, medium and long-term.**

There is no legal obligation on a co-operative to disclose the remuneration per individual director and/or prescribed officer. However, the Board supports the IFRS requirements of disclosing the total expense per category in respect of directors' remuneration in the annual report.

### **Remuneration of non-executive directors**

Iemas remunerates non-executive directors at the median of the market to ensure the attraction and retention of non-executive directors with the required experience and skills set. External benchmarking of the fees is performed periodically.

Non-executive directors do not have employment contracts with the Group and Iemas adopts a total fee approach consisting of a fixed retainer portion and a fee per meeting. Remuneration is payable on a quarterly basis.

None of the non-executive directors, by virtue of their Board position, participates in any of Iemas' incentive plans or pension schemes. The Chairman of the Board and Chairmen of Board Committees receive supplementary fees for their additional responsibilities and the time required to make meaningful and effective contributions to the affairs of the Group through their respective Committees.

### **Executive remuneration**

The Human Resources Committee approved a formal Remuneration Policy for the executive directors and the Executive Committee. This Policy requires that the remuneration of executives should be benchmarked externally on an annual basis, before consideration and approval by the Committee.

Iemas endorses reasonable, appropriately structured pay-for-performance programmes that reward executives for sustainable, superior performance over the long-term. It is the duty of the Board and the Human Resources Committee to ensure that executive remuneration programmes are effective, reasonable and fair with respect to critical factors such as the performance of the group, industry considerations, risk considerations and remuneration paid to other employees. It is also the responsibility of the Human Resources Committee to ensure that elements of remuneration packages are appropriately structured to enhance Iemas' short and long-term strategic goals and to retain and motivate executives to achieve strategic goals.

The remuneration of executive directors and the Executive Committee comprises guaranteed pay, variable compensation and participation in a long-term incentive scheme. Iemas' executive directors and Executive Committee are employed under the standard employment contract.

In line with the objective to achieve the delivery of long-term value, the deferred structures depend on Iemas achieving pre-set goals and growth objectives.

The deferral structures and long-term incentive vesting criteria applied to executive directors' compensation are identical to that of the Executive Committee.

Executive directors, who serve as directors on the Board, do not receive supplementary fees.

### *Planned areas of future focus*

The Remuneration Policy will be aligned to King IV™ practices, as applicable to Iemas.

## ASSURANCE

**Principle 15: 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.**

The Executive Committee and the internal and external auditors provide assurance on the integrity of the financial information disclosed in the annual report. The Audit and Risk Committee, as the fifth line assurance provider, reports to the Board on the effectiveness of External Audit, Internal Audit and the finance function on an annual basis. Monitoring actions relating to this level of assurance provider are incorporated in the Combined Assurance Monitoring Plan.

There is an alignment between the risks contained in the corporate risk register and the combined assurance monitoring plans. Internal Audit adopts a risk-based methodology on planned audits.

### *Planned areas of future focus*

The Audit and Risk Committee Charter will be aligned to King IV™ practices, as applicable to Iemas, to clarify the Committee's role and responsibilities as related to assurance and the oversight function of the five-line defence assurance model.

## STAKEHOLDERS

**Principle 16: In the execution of its governance role 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.**

A Stakeholder Relationship Framework was approved and adopted by the Board as part of the Iemas strategy. This Framework sets out and acknowledges the impact that each stakeholder has on the successful implementation of Iemas' strategic objectives as well as on the operations of the Co-operative.

The interest and needs of members, as an important stakeholder of the Co-operative, are considered in the formulation of future strategies of Iemas. An annual member and employer research survey was conducted during 2018 and repeated during May 2019.

### *Planned areas of future focus*

The scope of the annual member and employer research survey will be broadened to increase qualitative feedback and in support of the Board's intentional stakeholder-inclusive approach.

Iemas' digital strategies will be assessed and broadened to include the Group's response on how digitisation and automation are shaping future workforce requirements and the possible impact on employees and society.

## OVERALL FUTURE FOCUS

The Board will continue to strengthen Iemas' governance processes with an emphasis on continually improving assurance processes between the Board, its Committees and management.

The Board is satisfied that it and all Board Committees, have complied with the requirements of their Charters and that all reasonable measures have been taken to ensure that high standards of corporate governance are implemented across all operations.