

# Corporate governance report

Deneb is committed to a high standard of corporate governance. Sound corporate governance principles are viewed as pivotal to delivering the Group's strategic and sustainability objectives.

This report provides our stakeholders with insight as to how the board and its underlying committees are overseeing and guiding the Group's performance and strategy. It further outlines our corporate structure which is responsible for ensuring compliance with internal policies and external regulation.

## BOARD OF DIRECTORS

Deneb's board of directors is tasked with both leading and controlling the Group's strategy and operations. The basis for good governance at Deneb is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The collective experience and diversity of the directors bring a broad perspective and insight. Their knowledge comes from a diverse array of backgrounds and specialist skills across a range of sectors including law, accounting, manufacturing, logistics, education and industrial relations.

## BOARD COMPOSITION

As at 31 March 2018, the board of directors comprised 11 members: seven non-executive directors and four executive directors. Four of the seven non-executive directors are independent.

Mr L G Govender, an independent non-executive director, resigned from the board of directors on 17 April 2018. As at the date of this report, the board of directors accordingly comprises 10 members: six non-executive directors and four executive directors.

In addition to the Gender Diversity Policy adopted in the prior year, the board has adopted a Race Diversity Policy and in terms thereof, the board's aim is to ensure that the majority of the directors are black as defined in the Broad-based Black Economic Empowerment Act, 2003, as amended.

The composition of the board is regularly reviewed to ensure a balance of power and authority, negate individual dominance in the decision-making processes and promote race and gender diversity as per the Gender and Race Diversity Policies.

## BOARD APPOINTMENT

The appointment to the board of directors is governed by a formal board-approved mandate regulating the terms of reference and incorporates the provisions of the Companies Act of South Africa and the mandatory provisions as stipulated in paragraph 3.84 of the JSE Listings Requirements, including the Gender and Race Diversity Policies and the memorandum of incorporation of

the company. There is a distinct division of responsibilities at board level so that no single individual has unfettered powers of decision-making. The board as a whole, within its powers and in a formal and transparent manner, is responsible for the selection and appointment of directors. Directors do not have a fixed term of appointment and there is no mandatory retirement age for non-executive directors.

Mr J A Copelyn has been appointed by the board as the non-executive chairperson. The roles of chairperson and chief executive officer are separate with a clear division of responsibilities.

The company's memorandum of incorporation provides that at the annual general meeting held each year, 1/3 (one-third) of the non-executive directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than 1/3 (one-third) shall retire from office. In addition, if at the date of any annual general meeting any director will have held office for a period of 5 (five) years since his/her last election or appointment, he/she shall retire at such annual general meeting. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office.

The company's ultimate controlling shareholder is Hosken Consolidated Investments Limited ("HCI"). Four of the non-executive directors, namely Messrs J A Copelyn, T G Govender, Y Shaik and Ms R D Watson, also serve on the HCI board.

## INDEPENDENCE OF DIRECTORS

Deneb's non-executive directors acknowledge the need for their independence, while recognising the importance of good communication and close co-operation with executive management. The directors are entitled to seek independent professional advice at the company's expense concerning the company's affairs and have access to any information they may require in discharging their duties as directors. Deneb has appointed Mr M H Ahmed as the company's lead independent non-executive director and is responsible for verifying, on an annual basis, the independence and objectivity of the independent non-executive directors. This is done by assessing any circumstance or relationships that could affect such independence.

## BOARD ATTENDANCE

The board meets at least four times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Directors are provided with substantive board papers to enable them to consider the issues on which they are requested to make decisions. The following table details each director's board meeting attendance during the year under review:

	17 May 2017	28 August 2017	15 November 2017	15 March 2018
M H Ahmed	√	√	√	√
J A Copelyn	√	√	√	√
D Duncan	√	√	√	√
L G Govender	√	√	√	√
T G Govender	x	√	√	√
N B Jappie	x	√	√	√
A M Ntuli	√	√	√	√
S A Queen	√	√	√	√
Y Shaik	√	√	√	√
R D Watson	√	√	√	√
G D T Wege	√	√	√	√

√ In attendance

x Apologies

## COMPANY SECRETARY

The company secretary is Ms C L Philip who provides support and guidance to the board in matters relating to governance, ethical conduct and their fiduciary duties. Where required, the company secretary facilitates induction and training for directors tailored to their individual needs and co-ordinates the annual board and committee evaluation process. Directors have unrestricted access to the advice and services of the company secretary. The company secretary does not fulfil any executive management function and maintains an arm's length relationship with the board and its directors. The company secretary is responsible for the functions as set out in section 88 of the Companies Act of South Africa (as amended). The board has assessed the company secretary and is satisfied that she has the competence, qualifications, independence and experience to fulfil the role of company secretary. All board, committee and shareholders' meetings are properly recorded as per the requirements of the Companies Act.

## APPLICATION OF KING IV

Deneb is committed to the highest standards of business integrity, ethics and professionalism. The King IV Report on Corporate Governance for South Africa, 2016 ("King IV"), which is on an apply and explain basis, was released on 1 November 2016.

King IV advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

Deneb has reviewed the practices underpinning the principles promoted in King IV. Many of these principles are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that Deneb, in all material aspects, complies with the major recommendations of the King IV code to ensure that sound corporate governance and structures are applied within the Group.

In terms of part 5.4, principle 14 of King IV, the company's remuneration policy and implementation report should be tabled to shareholders for a separate non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted. Furthermore, King IV recommends that the remuneration policy should record the measures that the board commits to in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised by the shareholders. As the non-binding advisory vote taken at the AGM held on 1 November 2017 was passed by the requisite majority, there was no further engagement with shareholders in this regard.

For the detailed King IV application register, please visit the company's website: [www.deneb.co.za](http://www.deneb.co.za)

# Corporate governance report (continued)

## DEALINGS IN THE COMPANY'S SECURITIES

Deneb complies with the continuing obligations of the Listings Requirements of the JSE. The company's directors, executives and senior employees are prohibited from dealing in Deneb securities during prescribed restricted periods. The company secretary regularly disseminates written notices to inform them of the insider trading legislation and advise them of closed periods. All directors and senior executives are required to obtain clearance from the company secretary prior to dealings in the company's securities. All dealings in the company's securities are disclosed in terms of the applicable Listings Requirements.

## WHISTLE-BLOWER HOTLINE

A whistle-blower hotline has been implemented in all the businesses of the Group. This service, operated by an independent service provider, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing and control issues or other concerns. It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. The follow-up on all reported matters is co-ordinated by internal audit and reported to the social and ethics committee.

## GOVERNANCE OF INFORMATION TECHNOLOGY

The board of directors is responsible for information technology ("IT") governance. The board tasks the Group head of IT to ensure IT governance compliance within the Deneb Group. The Group head of IT further provides oversight and direction on business level IT strategy, IT investment and the efficiency and effectiveness of IT. IT risk management is aligned with the Group risk management structure and is channelled by way of the risk management committee. The committee receives feedback on critical risk issues, the solutions proposed and progress reports.

## BOARD COMMITTEES

Deneb's board has established committees to assist it to discharge its duties. The committees play a pivotal role in guiding and overseeing strategy, enhancing high standards of governance and achieving increased effectiveness within the Group. The committees comprise members of the board and executive officers of the Group.

Board committees are free to take independent, outside professional advice within the scope of their terms of reference and as deemed necessary to carry out their duties. The Group's chief executive officer and other members of the executive management whose presence is required for such committees' effective performance of their responsibilities are invited to be in attendance at committee meetings. The board has established five committees to assist in discharging its responsibilities:

## EXECUTIVE COMMITTEE

**Chairperson: Mr S A Queen**

**Role:** The executive committee is responsible for controlling the day-to-day operational activities of the Group, and the development and implementation of the board strategy.

The Deneb executive committee comprises Messrs S A Queen (chairperson, Group chief executive officer), G D T Wege (Group financial director), D Duncan (chief operating officer), K Robson (Properties, Corporate and Legal Services) and I Morris (Branded Product Distribution).

The executive committee meets formally once a week and executive committee members attend the monthly operational meetings of each operating entity within the Group. Such formal weekly and monthly meetings include the review of strategic, operational and financial results. The board is apprised of progress through reporting at board meetings and regular communication with management.

## AUDIT COMMITTEE

**Chairperson: Mr M H Ahmed**

**Role:** The audit committee oversees the Group's financial statements and reporting processes, including the system of internal financial controls. The committee's report is presented on pages 34 and 35.

## RISK COMMITTEE

**Chairperson: Mr M H Ahmed**

**Chief risk officer: Mr D Levin**

**Role:** The risk committee is primarily responsible for the governance of risk in accordance with the framework of the Group's risk management policy. The committee's report is presented on pages 24 and 25.

## REMUNERATION COMMITTEE

**Chairperson: Mr M H Ahmed**

Role: The remuneration committee ensures that the Group's directors and senior management are fairly rewarded for their individual contribution to overall performance and aligned with the Group's strategy and performance goals. The committee's report is presented on pages 26 to 31.

## SOCIAL AND ETHICS COMMITTEE

**Chairperson: Mr A M Ntuli**

Role: The social and ethics committee monitors activities relating to ethics, stakeholder engagement and the social impact of the company on communities within which it operates. The committee also monitors progress across all areas of strategic empowerment as well as compliance with transformation codes. The committee's report is presented on pages 18 to 22.

