

## ENX GROUP LIMITED

### KING IV COMPLIANCE

The enX Corporation Limited board (“the board”) believes that its existing governance framework and culture provide a solid foundation for the implementation of King IV. Adopting King IV is a commitment to the philosophy of stakeholder inclusivity, corporate citizenship and protecting the value that we create, which is aligned with our value creation strategy. The board believes that, by ensuring that principles and practices are applied with a focus on achieving the four corporate governance outcomes i.e. ethical culture, good performance, effective control and legitimacy, the group will have a sound corporate basis to operate from and create value to all stakeholders.

The board has opted to apply the 17 King IV principles in a manner that is focused on achieving the King IV outcomes, whilst taking cognisance of our group size and composition, and our decentralised and entrepreneurial organisational structure. The group reviewed its current practices to ensure alignment with the King IV recommended practices associated with each principle contained in the King IV Report on Corporate Governance.

Foundational concept	Principle
Leadership, ethics and corporate citizenship	<b>Principle 1:</b> The governing body should lead ethically and effectively.
	<b>Principle 2:</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.
	<b>Principle 3:</b> Responsible corporate citizenship
Strategy, performance and reporting	<b>Principle 4:</b> The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
	<b>Principle 5:</b> 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.
Governing structures and delegation	<b>Principle 6:</b> Board as custodian of good governance
	<b>Principle 7:</b> Board composition
	<b>Principle 8:</b> Effective board structures and delegation of authority
	<b>Principle 9:</b> Board performance evaluation
Governance functional areas	<b>Principle 10:</b> Board/management relationships
	<b>Principle 11:</b> Risk governance
	<b>Principle 12:</b> Technology and information governance
	<b>Principle 13:</b> Compliance governance
	<b>Principle 14:</b> Remuneration governance
Stakeholder relationships	<b>Principle 15:</b> Assurance
	<b>Principle 16:</b> Stakeholder-inclusive approach
	<b>Principle 17:</b> Responsible investment

It was resolved that the group’s current corporate governance practices enable achievement of King IV principles.

***Principle 1: The governing body should lead ethically and effectively***

The board of directors provides leadership and strategic guidance, continually aimed at safeguarding shareholder value creation. This leadership and guidance are based on ethical principles and supports the group's values.

Directors are individually and collectively accountable for their ethical and effective leadership and are required to conduct themselves in accordance with the board Code of Conduct and their legal duties as company directors under the Companies Act of 2008.

An independent evaluation was conducted by an external consultancy for the 2018 assessments. This resulted in some governance improvements especially focusing more on strategic direction of the group.

Directors complete a detailed conflict of interests' disclosure annually. The complete list is circulated annually to all board members to ensure transparency. Directors also advise the company secretary of any changes during the year and these are tabled quarterly at board meetings.

The directors subscribe to a Code of Conduct and ethics policy, thereby committing to high ethical standards and to conducting themselves honestly and with integrity.

The board believes that sound corporate governance practices enhance both shareholder value and the long-term sustainability of the business.

Refer to ethical leadership on page 60.

To assist the board to lead effectively a delegation of authority manual is in place and reviewed annually. This provides effective and practical direction and guidelines to minimise and eliminate the company's possible exposure to risk.

***Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment.***

The Code of Conduct is reviewed annually and all staff subscribes to this Code. All employees sign a staff declaration annually disclosing conflict of interest, awareness of anti-competitive behaviour, any transactions entered into with any group companies and any gifts received or given.

The Code is also explained as part of the employee induction process and through ongoing training.

The group subscribes to becoming a truly transformed organisation and this is supported by a 46.8% black ownership ratio. Operating companies have a B-BBEE contribution level of between 2 and 3.

The board is committed to a culture and characteristics that promotes and encourage members and employees to act with integrity, be responsible and accountable, being fair and transparent and to be competent. These are all captured in our values.

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

The group's strategy takes into account stakeholder needs and expectations. The focus is on strategic outcomes that support the organisation's corporate citizenship status. Social and environmental risk is one of the risks that is actively monitored.

The teams driving the strategy and processes through the organisation are the social and ethics committee, HR, Transformation, Occupational Health and Safety steering committees.

The group has a tax policy and philosophy in place that promotes good corporate citizenship. The board is ultimately accountable for determining the group's tax philosophy and approach and, together with the ARC, provides oversight of the group's tax practices and affairs. We are committed to being a responsible taxpayer, based on professionally executed tax compliance and legitimate tax planning for fulfilling our compliance and disclosure obligations in accordance with all relevant laws.

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

Strategy and performance have always been regarded as primary responsibilities of the board.

Risks, opportunities, performance, business model and sustainability, are considered in terms of the group's vision, targets, long-term goals and values for annual board approval.

The board ensures that a robust strategy process is defined and executed. The strategy planning timetable accommodates business planning at executive committee level and review by the board, culminating in final approval.

Management initiates the strategy review and business planning process. The major macro trends in our operating environment are considered when compiling the budget.

Our material matters are ranked according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with stakeholders. These material matters are continuously assessed to ensure the strategy remains relevant.

Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed.

***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.***

enX continues to incorporate the philosophy of integrated thinking in its operations and reporting.

The ARC is mandated to review the suitability of information made available to stakeholders in order for them to extract the relevant value from such information. This includes matters relating to our strategy and value creation.

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

The board has embraced governance practices and principles and has ultimate accountability and responsibility for the performance and affairs of the company, including of good governance practices and principles. Therefore, the board displays adequate alignment with the King IV objective in terms of its oversight functions and monitoring, as well as the roles and responsibilities set out in the respective charters.

The annual evaluation results of the board and board committees as well as the board and committee charters have been reviewed and are aligned to King IV™ board and committee areas of responsibility.

Current audit committee oversight functions have been reviewed against King IV recommended practices for audit committees, including audit committee disclosures.

The board embrace its role as custodian of governance, which include annual board continuity and effectiveness reviews to improve the overall wellbeing of the organisation.

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

enX aims to ensure that the board composition is aligned with the requirements of King IV regarding the number of executive versus non-executive directors, and skills, experience and tenure of directors are monitored on an ongoing basis.

According to the most recent review, the board comprised 50% independent non-executive directors. The board is re-assessing its composition and size to align with King IV practices.

Qualifications of directors and their experience in specific industries are further scrutinised for applicability.

The roles of the Chairman, CEO, CFO, non-executive directors and company secretary are well defined.

A formal induction process is in place for new directors.

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

Delegation of matters and mandates to individuals and/or ad hoc committees are managed through a formal delegation of authority process and accompanying board resolutions.

Board structures undergo annual review for effectiveness through board evaluations.

The current board committees are:

ARC, asset and liability committee, nomination committee, remuneration committee, investment committee, social and ethics committee and information technology committee.

Accountability is delegated through committee charters for the respective committees and effectiveness thereof is measured annually.

***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.***

In 2020 the group engaged an independent consultant to conduct the assessment of the board and its committees in line with best-practice governance. This process was well-received and though the outcome was largely positive, the group implemented some of the recommendations. One of the changes was to change the reporting line of the IT steering committee to report directly into the board. The board representation on this committee also increased to ensure more independence.

The approach included a combination of interviews and questionnaires, followed by a report and presentation outlining outcomes of the process and recommendations for areas noted for improvement.

The detailed process included distribution of questionnaires, interviews and reporting. After the collation and analysis of data, a report was drawn up containing findings and supporting recommendation arising from the evaluation process.

***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.***

enX board assesses succession planning, board delegation policies and CEO performance annually.

The board appointed a CEO and CFO to implement the strategies and business plans. They in turn rely on the assistance of the executive committee to ensure that the operational strategies are implemented, risks are managed and the day-to-day business of the company is monitored.

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

The governance of risk in terms of the organisation's strategic objectives is reviewed at least annually by the board.

ARC monitors and tracks progress quarterly ensuring controls are in place to mitigate risks.

enX adopts a well-defined Enterprisewide Risk Management policy, which fully supports good governance practices and implements its approach to risk management as a threat, uncertainty or opportunity in order to enhance the company's strategic objectives.

BDO is assisting management in the identification and monitoring of risks.

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

The board has formally delegated responsibility for governing information and technology to the IT steering committee who now reports directly to the board.

The IT steering committee and the operational IT steering committees are responsible for discharging the governance of technology and information in the organisation.

The IT steering committee is responsible for reviewing and approving the group's IT strategy and good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the group's information systems from a strategic alignment and risk perspective.

The operational IT steering committee is responsible for assisting the segments in discharging their responsibilities to ensure a well-coordinated, efficient, effective, properly resourced and timeously implemented IT strategy.

enX has adopted the methodology of the IT Governance Institute and the control objectives for information and related technology (COBIT) framework to meet King IV requirements.

The IT steering committee is focusing on implementing a strategic plan that supports business growth plans, the implementation of a disaster recovery plan and monitoring the implementation of key projects.

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

The board has specific responsibility for compliance in the group. The board has delegated this function to ARC, which regularly reviews significant risks and mitigating strategies, and reports to the board on material changes in the group's risk profile.

Compliance with, and enforcement of, the Companies Act, JSE Listings Requirements, legislation and the company's governance policies are monitored and tracked through internal monitoring and reporting systems, reviews, and internal and external audits.

The group is not aware of any breaches of laws and regulations.

***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.***

The remuneration committee is responsible for remuneration governance, and its groupwide responsibilities are fully set out in the board-approved charters.

The committee applies the guiding principles provided for in terms of the remuneration policy as far as it is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances.

The committee in this year approved compensation in relation to various executive changes as detailed in the remuneration report.

The committee ensures that it remains knowledgeable about the changing remuneration regulatory environment.

The committee formalised the rules governing the cash-settled share appreciation right scheme during the year.

The committee tabled its remuneration report and the implementation thereof for a non-binding advisory vote by shareholders at the annual general meeting for financial year 2018, which is a new King IV requirement.

***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 external reporting purposes.***

The board governs the executive committee by giving it direction on how it should ensure an effective control environment, and support the integrity of information for internal decision-making and of enX's external reporting purposes.

Key elements are:

Code of Ethics and Conduct. These groupwide policies are communicated and adhered to by all employees. Awareness and implementation are supported by ongoing ethics awareness campaigns, a group wide anonymous tip-off line and relating training to all staff.

Values – roll-out campaign to all staff to subscribe to these common values and customise these values to their areas of control.

Internal Audit Charter, which stipulates the mandate, authority, roles and responsibilities of the function and is reviewed annually. The function is outsourced to BDO.

ARC Charter, which stipulates the oversight responsibilities of the committee, such as internal audit, external audit and combined assurance, and is reviewed annually.

The group internal audit annual coverage plan, which is risk-based and approved by ARC annually.

IT steering committee reviews and monitors the transfer of information.

***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.***

Enhancements are currently under way for a more strategic approach to stakeholder relations management and stakeholder engagement.

A template had been designed identifying key stakeholders, evaluate the relationship and include plans to improve relations where needed.

***Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.***

enX is not an institutional investor.

Confirmation was received from the pension and provident fund managers that they are aligned to the principals of a responsible investor.

#### **Disclosures**

In addition to complying with King IV disclosures, the group must also comply with the JSE, with specific reference to section 3.84. This section requires that issuers implement the specific corporate governance practices and disclose compliance with them in their annual reports. The JSE Listings Requirements applicable for integrated reporting purposes stipulate that a listed company's annual report must, as a minimum, include a narrative statement on its application of the King principles.

#### **Conclusion**

Based on the above analysis the group demonstrates how its approach to corporate governance philosophy, standards, policies and practices support achievement of each of the King IV principles and enable the group's board and management to conclude that it is currently achieving the King IV governance outcomes in all material respects.