



NICTUS LIMITED

KING III PRINCIPLES APPLIED

This is a summary of the KING III Principles as well as an explanation of how Nictus has complied with each principle for the year under review. Each principle has been assessed based on the following criteria:

- Fully applied
- Partially applied
- Not applied

King III principles		Rating	Comments
<b>1. Ethical leadership and corporate citizenship</b>			
1.1.	The Board should provide effective leadership based on an ethical foundation	Fully	The Board has adopted the vision, mission and core values of Nictus and sets an example by actively pursuing to act within the ambit of the code of conduct. The ethical approach is further established with the appointment of its balanced mix of independent non-executives.
1.2.	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	Fully	The Board boasts a social and ethics committee ("SEC") which guides the Board on its corporate social responsibility and ensures that the Company is seen to be a responsible corporate citizen.
1.3.	The Board should ensure that the Company's ethics are managed effectively	Fully	The Board, with the assistance of management and the SEC, requires all employees to sign the code of conduct as undertaking to conform thereto, thereby creating the awareness amongst employees of the Company's ethical compliance requirements. The SEC conducts surveys amongst stakeholders to remain informed about the level of ethics that the Company maintain.
<b>2. Boards and directors</b>			
2.1.	The Board should act as the focal point for, and custodian of, corporate governance	Fully	With the assistance of the Company Secretary and Financial Director, the Board gathers its own insights into the corporate governance of the Company and utilises these insights, together with reports received, to effectively oversee and ultimately take responsibility for the corporate governance of the Company.
2.2.	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	Fully	Strategy, risk, performance and sustainability are all key matters in the integrated business plan of the company. These factors are examined in detail to determine their individual and combined effects on the business.
2.3.	The Board should provide effective leadership based on an ethical foundation	Fully	See principle 1.1.
2.4.	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	Fully	See principle 1.2.
2.5.	The Board should ensure that the Company's ethics are managed effectively	Fully	See principle 1.3.
2.6.	The Board should ensure that the Company has an effective and independent audit committee	Fully	Nictus has an effective and independent Audit Committee, constituted by a charter approved by the Board.
2.7.	The Board should be responsible for the governance of risk	Fully	During the year under review the Board decided to dissolve the Risk Management Committee and fully incorporate the functions and responsibility for the governance of risk in the Audit Committee, although it ultimately remains responsible for the governance of risk.
2.8.	The Board should be responsible for information technology (IT) governance	Fully	The Board is responsible for IT governance.
2.9.	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Fully	Nictus has a compliance culture with a legal compliance programme which supports efforts to identify and comply with applicable laws and regulations. Compliance also forms part of Nictus' code of conduct.
2.10.	The Board should ensure that there is an effective risk-based internal audit	Fully	Nictus has an effective risk based internal audit function, with a charter approved by the Audit Committee and Board.
2.11.	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	Fully	The integrated report of the Group reflects the interests of the Group's stakeholders and key actions to maintain positive perceptions about the Company and its activities. The Board considers on an ongoing basis the feedback regarding the perceptions of particular stakeholder groups.
2.12.	The Board should ensure the integrity of the Company's integrated report	Fully	The Board, assisted by the Audit Committee and Executive Management, has established controls and processes to gather, independently review and report adequate information regarding the Company's financial- and sustainable performance in, and the integrity of, the integrated report.
2.13.	The Board should report on the effectiveness of the Company's system of internal control	Fully	Directors are required to disclose any conflicts of interest and are required to act in the best interest of the Company at all times.

<b>2. Boards and directors <i>continued</i></b>			
2.14.	The Board and directors should act in the best interests of the Company	Fully	Directors are required to disclose any conflicts of interest and are required to act in the best interest of the Company at all times.
2.15.	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	Fully	Solvency, liquidity and cash balances are monitored on a daily basis and the going concern analysis of the company is executed by the Audit Committee in terms of the audit committee charter. Solvency and liquidity tests are conducted in terms of the Companies Act and business rescue or turnaround mechanisms would be considered by the board should the company become financially distressed.
2.16.	The Board should elect a Chairperson of the Board who is an independent non-executive director. The CEO of the Company should also not fulfil the role of Chairman of the Board	Fully	The Chairman of the Board is an Independent Non-executive Director. The Group Managing Director does not fulfil the role of Chairman of the Board.
2.17.	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	Fully	The Group Managing Director is appointed by the Board and his mandate is detailed in the business plan, wherein the framework for the delegation of authority is also contained.
2.18.	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Fully	The majority of Board members are Non-executive Directors with a healthy balance of Independent Non-executive Directors. The Directors boast a spread of skills and a wealth of experience. King III requires that the Board considers the independence of Independent Non-executive Directors who have served on the Board for more than nine years. None of the Independent Non-executive Directors have been serving on the Board long enough for their independence to have become compromised due to length of service.
2.19.	Directors should be appointed through a formal process	Fully	The appointment of Directors is a formal process which is overseen by the Audit Committee.
2.20.	The induction and ongoing training and development of directors should be conducted through formal processes	Fully	The induction process managed by the Group Managing Director and the Company Secretary and Directors are exposed to various development programs. In general, Nictus appoints experienced Directors.
2.21.	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	Fully	Furthermore, Veritas Board of Executors (Proprietary) Limited, a competent, suitably qualified and experienced Company Secretary has been appointed by the Board. The ability and performance of Veritas, its Board and employees to perform its Company Secretarial duties is assessed annually by the Board taking into account a set of pre-agreed deliverables. Veritas boasts decades of experience. Care is taken to monitor the arms-length relationship with the Board and written agreements are in place to govern the arms-length relationship between the parties.
2.22.	The evaluation of the Board, its committees and the individual directors should be performed every year	Fully	Evaluations of the Board, its Committees and individual Directors are conducted internally annually and consideration is given to outsource such evaluations as and when the Board deems necessary.
2.23.	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Fully	The Board is assisted in fulfilling its duties by well-structured Board Committees. Each committee is constituted by a charter, which is reviewed annually. The committees are sufficiently represented by Independent Non-executive Directors and the Group Managing Director, Group Deputy Managing Director and Financial Director attend the committee meetings ex officio.
2.24.	A governance framework should be agreed between the Group and its Subsidiary Boards	Fully	A governance framework exists between the Group and its subsidiary Boards, whilst the Group enjoys a healthy representation on subsidiary Boards.
2.25.	Companies should remunerate directors and executives fairly and responsibly	Fully	Directors and Executives are remunerated in accordance with the approved remuneration policy. Remuneration is based on a fair and responsible combination of factors, including performance and market research.
2.26.	Companies should disclose the remuneration of each individual director and prescribed officer	Fully	The remuneration paid to Directors and certain Senior Executives are disclosed in the remuneration report included in the integrated report.
2.27.	Shareholders should approve the Company's remuneration policy	Fully	The company's remuneration policy is contained in the integrated report and tabled for shareholders' approval at the Annual General Meeting.
<b>3. Audit Committees</b>			
3.1.	The Board should ensure that the Company has an effective and independent audit committee	Fully	See principle 2.6.
3.2.	Audit Committee members should be suitably skilled and experienced independent non-executive directors	Fully	It is chaired by an Independent Non-executive Director, approved by the shareholders, and comprises two other suitably skilled, experienced Independent Non-executive Directors.
3.3.	The Audit Committee should be chaired by an independent non-executive director	Fully	See principle 3.2.

<b>3. Audit Committees <i>continued</i></b>			
3.4.	The Audit Committee should oversee integrated reporting	Fully	The Audit Committee provides oversight of the integrated reporting activities.
3.5.	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Fully	Nictus has developed a combined assurance model which provides a coordinated approach to assurance activities in respect of key risks facing the Company, with oversight by the Audit Committee.
3.6.	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	Fully	A review of the finance function is conducted by the Audit Committee annually in terms of resources, expertise and experience.
3.7.	The Audit Committee should be responsible for overseeing the internal audit process	Fully	The Audit Committee is responsible for the appointment, performance assessment and dismissal of the internal auditor.
3.8.	The Audit Committee should be an integral component of the risk management process	Fully	<p>During the year under review the Board decided to dissolve the Risk Management Committee and fully incorporate the functions and responsibility for the governance of risk in the Audit Committee, although it ultimately remains responsible for the governance of risk. The Board considers and determines the levels of risk tolerance as well as risk appetite during its periodic review of the Group's risk profile. This risk profile determines the ambit within which management are allowed to take on risk-inclined projects. The Audit Committee provides oversight of Nictus's risk management activities.</p> <p>The Board has delegated the responsibility to design, implement and monitor Nictus's risk management plan to Executive Management, with oversight by the Audit Committee.</p> <p>Management performs risk assessments on an ongoing basis and provides quarterly feedback to the Audit Committee and the Board. The wealth of experience and expertise of the Audit Committee and Executive Management increase the probability of anticipating unpredictable risks.</p> <p>Nictus's risk methodology includes the consideration and implementation of appropriate risk responses.</p> <p>Risk monitoring is achieved at Nictus through a combination of daily and periodic activities undertaken by management at various levels in the organisation, culminating in the activities of the Executive Management and Audit Committee, which oversee the risk management process at Nictus.</p> <p>Assurance regarding the effectiveness of the risk management process is provided by both management, and internal audit to the Audit Committee and Board.</p> <p>The relevant risks for the Group are disclosed to stakeholders in the integrated report.</p>
3.9.	The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process	Fully	The Audit Committee further oversees the external audit activities, including the appointment of, the assessment of required qualifications, independence, audit approach, reporting and performance evaluation of the auditors.
3.10.	The Audit Committee should report to the Board and shareholders on how it has fulfilled its duties	Fully	The Audit Committee reports to the Board as well as to the shareholders on how it has discharged its duties and its report to stakeholders is included in the integrated report.
<b>4. The governance of risk</b>			
4.1.	The Board should be responsible for the governance of risk	Fully	See principle 2.7.
4.2.	The Board should determine the levels of risk tolerance	Fully	See principle 3.8.
4.3.	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	Fully	See principle 3.8.
4.4.	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Fully	See principle 3.8.
4.5.	The Board should ensure that risk assessments are performed on a continual basis	Fully	See principle 3.8.
4.6.	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Fully	See principle 3.8.
4.7.	The Board should ensure that management considers and implements appropriate risk responses	Fully	See principle 3.8.
4.8.	The Board should ensure continual risk monitoring by management	Fully	See principle 3.8.

<b>4. The governance of risk <i>continued</i></b>			
4.9.	The Board should receive assurance regarding the effectiveness of the risk management process	Fully	See principle 3.8.
4.10.	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Fully	See principle 3.8.
<b>5. The governance of information technology</b>			
5.1.	The Board should be responsible for Information Technology Governance	Fully	See principle 2.8.
5.2.	IT should be aligned with the performance and sustainability objectives of the Company	Fully	IT is aligned with the performance and sustainability objectives of the Company from a safeguarding, strategic and business process
5.3.	The Board should delegate to management the responsibility for the delegation of an IT governance framework	Fully	The Board has delegated responsibility for the implementation of an IT governance framework to management.
5.4.	The board should monitor and evaluate significant IT investments and expenditure	Fully	All IT matters are referred to the group IT consultant who advises on the most appropriate technological solutions for the Group. Recommendations are made by Executive Management to the Executive Committee or Board, at which levels decisions are taken. Post implementation audits are conducted on large IT projects. The Financial Director, on behalf of the Group Executive Management, reports to the Audit Committee and Board on the value delivered by IT investment.
5.5.	IT should form an integral part of the Company's risk management	Fully	Multi-segmental representation on the Executive Management Committee ensures that IT risk management is aligned with the Company's risk management process.
5.6.	The Board should ensure that information assets are managed effectively	Fully	IT systems and processes have been developed for managing information assets effectively, including personal information. This includes information security, information management and privacy.
5.7.	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities	Fully	The Audit Committee which assists the Board in risk management has oversight of IT risks, IT controls and related combined assurance. This includes financial reporting matters. Technology is used to improve audit coverage and efficiency.
<b>6. Compliance with laws, rules, codes and standards</b>			
6.1.	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Fully	See principle 2.9.
6.2.	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	Fully	The Board and Audit Committee are regularly briefed on new laws and regulations by the Company Secretary and JSE sponsors. The Board and individual Directors are made aware of new regulations or changes that affect the Company.
6.3.	Compliance risk should form an integral part of the Company's risk management process	Fully	A compliance function has been established and the risk of non-compliance forms part of the risk management process. Material aspects of non-compliance would be disclosed in the integrated report if applicable.
6.4.	The Board should delegate to management the implementation of an effective compliance framework and processes	Fully	The Company Secretary act as legal compliance officer. Legal compliance works closely with ethics and risk management and the head of the legal function is the Company Secretary who attends Board and Audit Committee meetings.
<b>7. Internal audit</b>			
7.1.	The Board should ensure that there is an effective risk-based internal audit	Fully	See principle 2.10.
7.2.	Internal Audit should follow a risk-based approach to its plan	Fully	Internal audit is independent and objective and its audit plan is based on the strategy and risks of the Company.
7.3.	Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	Fully	Internal audit provides a written assessment of the effectiveness of the company's system of internal controls and risk management, including an assessment of the financial controls to the Audit Committee and Board.
7.4.	The Audit Committee should be responsible for overseeing Internal Audit	Fully	The Audit Committee oversees the internal audit activity, including review and approval of the internal audit plan, evaluation of internal audit performance, review of reports submitted by internal audit to the Audit Committee and resourcing. The Audit Committee is responsible for the appointment and dismissal of the internal auditor.

<b>7. Internal audit <i>continued</i></b>			
7.5.	Internal Audit should be strategically positioned to achieve its objectives	Fully	Internal audit is strategically positioned to achieve its objectives, is independent, objective and reports functionally to the Audit Committee. The internal auditor does not have a standing invitation to all Executive Committee meetings, however, is briefed on strategic and risk related developments by Senior Executives who do attend, and has access to minutes of meetings. The internal auditor meets frequently with Senior Executives and is appropriately skilled and resourced to fulfil his mandate.
<b>8. Governing stakeholder relationships</b>			
8.1.	The Board should appreciate that stakeholders' perceptions affect a company's reputation	Fully	See principle 2.11.
8.2.	The Board should delegate to management to proactively deal with stakeholder relationships	Fully	Management has been tasked by the Board with the management of stakeholder relationships, including identification of important stakeholder groupings, and development of strategies and policies to manage the relationships. There are formal and informal mechanisms for constructive stakeholder engagement with the Company and shareholders are encouraged to attend the Annual General Meeting.
8.3.	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	Fully	Nictus strives to achieve an appropriate balance between various stakeholder groupings' interests and expectations in taking decisions in the best interest of the Company.
8.4.	Companies should ensure the equitable treatment of shareholders	Fully	Shareholders are treated equitably.
8.5.	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Fully	Nictus is committed to transparent and effective communication with all stakeholder groups. Such communication takes place through formal and informal channels; and through general- as well as direct communication initiatives, including community-, group- and individual meetings.
8.6.	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Fully	Nictus endeavours to resolve disputes in an effective and efficient manner, through partially formalised processes and management action.
<b>9. Integrated reporting and disclosure</b>			
9.1.	The Board should ensure the integrity of the Company's integrated report	Fully	See principle 2.12.
9.2.	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Fully	See principle 2.12.
9.3.	Sustainability reporting and disclosure should be independently assured	Fully	See principle 2.12.