



MICROmega  
HOLDINGS LIMITED

## APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2018 (KING IV)

MICROmega Holdings Limited ('MICROmega' or 'the Company' or 'the Group') is publicly listed on the Johannesburg Stock Exchange operated by the JSE Limited (JSE). The Company complies with the principles of King IV and the mandatory requirements of the JSE.

Paragraph 8.63 (a)(i) of the Listings Requirements stipulates that issuers are required to disclose the implementation of the King Code through the application of the King Code disclosure and application regime. For the period under review, MICROmega applied all the principles of King IV as set out below.

	Principle	Application of Principle
<b>Leadership, Ethics and Corporate Citizenship</b>		
1.	<b>Leadership</b> The governing body should lead ethically and efficiently	<p>The board of MICROmega, comprised of suitably qualified and experienced directors, constitutes the governing body and the directors hold one another accountable for the board's ethical behavior and decision-making. The chairperson oversees and steers this on an ongoing basis.</p> <p>The board's leadership is based on ethical values of responsibility, accountability, fairness and transparency. A comprehensive ethics policy, approved by the board, is in effect, which, in a broad sense, guides and acts as the basis for company values.</p>

	<b>Principle</b>	<b>Application of Principle</b>
2.	<p><b>Organisational ethics</b></p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The board, assisted by the Social and Ethics Committee, oversees the Group's governance of ethics, which is detailed in the Group's ethics policy and employee code of conduct. The ethics policy and code of conduct guide the interaction between employees, clients, stakeholders, suppliers and the communities within which it operates.</p> <p>Whistle-blowing facilities have been established and made available across the Group to afford all employees a facility for the reporting of unethical or fraudulent behavior. All reports are reported to the independent directors on the Audit Committee and diligently investigated by senior managers not involved in the alleged incident. Reports are made back to the board on the outcomes. The board has adopted a zero-tolerance approach to fraud and the appropriate remedial action is taken, should there be substance to the matter reported.</p>
3.	<p><b>Responsible corporate citizenship</b></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The board, assisted by the Social and Ethics Committee, oversees the governance and activities related to demonstrating that the Group is a good corporate citizen. This includes compliance with the constitution, laws, standards and the Group's own policies and procedures, as well as consistency with the Group's purpose, strategy and code of conduct and ethics policy.</p> <p>The board considers various non-financial factors that affect the Group and its standing in society and the communities it serves. In recognition of this, MICROmega also takes part in a number of corporate social investment programmes. Further, through various MICROmega subsidiary learnership programmes, the Group proudly displays its commitment to youth development in South Africa. All activity in these respects is disclosed in the Integrated Annual Report.</p>

	Principle	Application of Principle
<b>Strategy, Performance and Reporting</b>		
4.	<p><b>Strategy and performance</b></p> <p>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</p>	<p>The Group has a clearly set-out strategy with the associated risks. This strategy is aligned with the purpose of the Group to ensure sustainable outcomes. The board regularly liaises with key management in order to review the strategy and any proposed changes.</p> <p>The Risk Committee works with the board in identifying, assessing and addressing risks across the Group, and reports back to the board at their meetings. This is done in accordance with the risk management framework that is developed by the Risk Committee and approved by the board.</p> <p>The Audit Committee also assists with the governance of risks, monitoring the effects of identified risks and their mitigating controls. Any specific responsibility in terms of certain risk's management is detailed in the respective Risk and Audit Committee charters.</p> <p>The Group is aware of the general viability, reliance and effect of its activities on its capitals, solvency and liquidity and its going concern status, and appreciates and understands the importance of such awareness.</p>

	<b>Principle</b>	<b>Application of Principle</b>
5.	<p><b>Reporting</b></p> <p>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</p>	<p>The board, assisted by its committees and the company secretary, oversee that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of the stakeholders.</p> <p>The board, assisted by the audit committee and the company secretary, ensures that the Integrated Annual Report is issued timeously and in line with the relevant provisions of the Companies Act and the JSE Listing Requirements. This report provides relevant information relating to the Group's performance enabling stakeholders to make an informed assessment of the Group's performance in the short, medium and long-term.</p> <p>The publication of external reports and releases, including releases on the electronic news service of the JSE (SENS) require the prior approval of the board.</p> <p>The board delegates to management the uploading of the King IV disclosure requirements, integrated reports, financial statements and other reports on the Company website.</p>
<b>Governing Structures and Delegation</b>		
6.	<p><b>Primary role and responsibilities of the governing body</b></p> <p>The governing body should serve as the focal point and custodian of the corporate governance in the organisation</p>	<p>The board's roles and responsibilities and the way it executes its duties and decision-making are set out in the board charter and the charters of the Audit, Risk, Remuneration and Social and Ethics Committees.</p> <p>This, along with each committee's terms of reference and the guidance of the company secretary ensures the board serves as the focal point and custodian of corporate governance.</p>

	<b>Principle</b>	<b>Application of Principle</b>
7.	<p><b>Composition of the governing body</b>  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</p>	<p>King IV sets out that the majority of directors should be non-executive directors, the majority of whom should qualify as independent. This requirement has been met. The independence of the non-executive directors is reviewed on an annual basis against the criteria set out in King IV.</p> <p>The code of conduct for board members is incorporated in the board charter and also highlights that members shall maintain objectivity and act ethically in the best interests of the Group and its stakeholders in a manner consistent with the values of the business.</p> <p>The Chief Executive Officer and Group Financial Director are both members of the board.</p> <p>The chairperson of the board is an independent non-executive director.</p> <p>The chairperson of the board is not a member of the Audit Committee.</p> <p>The chairperson of the board is a member of but not the chair of the Remuneration Committee.</p>

	<b>Principle</b>	<b>Application of Principle</b>
8.	<p><b>Committees of the governing body</b>  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</p>	<p>After the changes to the board in the previous financial periods, the board has carried out a formal self-evaluation and is satisfied that the composition of the board reflects the appropriate mix of knowledge, skills, experience, diversity and independence, as well as being in line with the provisions of King IV. There is a clear balance of power so as to ensure that no individual has undue decision-making powers.</p> <p>The board determines delegation to individual members, groups of members, standing or ad hoc committees. The formal committees in place include the Audit, Remuneration, Risk and Social and Ethics Committees. Each committee has a formal charter in place, as approved by the board, which records the responsibilities delegated to it.</p> <p>Any member of the board is entitled to attend any committee meeting as an observer or invitee, and members of management may also join the committee meetings by ad hoc invitation.</p>

	<b>Principle</b>	<b>Application of Principle</b>
9.	<p><b>Evaluations of the performance of the governing body</b></p> <p>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.</p>	<p>The board and each of the committees conduct annual assessments as disclosed in the relevant sections of the Integrated Annual Report. Items identified for improvement are discussed and followed up to ensure the implementation of recommended actions. A report on these actions will then be tabled to the board for oversight.</p> <p>In respect of individual member evaluations, the board previously took a decision that the use of evaluation forms be discontinued and that any matters for concern in respect of the board or any of its members, or the performance of the board of directors and/or individual directors be brought to the attention of the Chief Executive Officer, who will deal with the matter in the appropriate manner, engaging other members of the board individually for counsel, before informing the board of the action to be taken.</p>
10.	<p><b>Appointment and delegation to management</b></p> <p>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</p>	<p>The board has an appointed Chief Executive Officer ("CEO"), who is responsible for leading strategy implementation and who reports regularly to the board on progress and development in this respect.</p> <p>The CEO works closely with the executive team and management in ensuring delivery on strategic objectives and is kept abreast of all developments by management on a daily basis.</p> <p>The board ensures that key management functions are led by competent and appropriately authorised individuals who are adequately resourced.</p>

	Principle	Application of Principle
<b>Governance Functional Areas</b>		
11.	<p><b>Risk governance</b></p> <p>The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives</p>	<p>The board, with the assistance of the Audit and Risk Committees, is cognisant of the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. The committees have delegated to management the implementation of processes to ensure that the risks to the sustainability of the business are identified and managed within acceptable parameters.</p> <p>All board members who are Risk Committee members, are also present as invitees at all Audit Committee meetings, ensuring that there is co-ordination in respect of the evaluation and reporting of risks.</p>
12.	<p><b>Technology and information governance</b></p> <p>The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives</p>	<p>The board and Risk Committee oversaw and approved the appointment of a suitably qualified vCIO (virtual Chief Information Officer) at the beginning of the 2018 financial year. The vCIO has conducted a full review and revamp of all IT structures, policies and practices and constantly monitors the network environment.</p> <p>The vCIO provides a comprehensive report at each Risk Committee meeting and, on the Risk Committee's recommendation, advises the board of suggested corrective measures.</p>
13.	<p><b>Compliance governance</b></p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen</p>	<p>The board, assisted by the company secretary and Audit and Risk Committees, ensures that the Group complies with applicable laws, adopted non-binding rules, codes and standards.</p> <p>The Group has identified and assessed its compliance with all laws, codes and standards that impact on its operations. The board has delegated the responsibility for implementing compliance to management.</p>

	<b>Principle</b>	<b>Application of Principle</b>
14.	<p><b>Remuneration governance</b></p> <p>The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</p>	<p>The board, assisted by the Remuneration Committee, ensures that executives and general staff are remunerated fairly and responsibly with a view to promoting the creation of value in a sustainable manner.</p> <p>The Group's remuneration policy is reviewed annually by the Remuneration Committee. Shareholders provide an annual non-binding advisory vote, at the Annual General Meeting, on this policy. An implementation report was also provided in the 2018 IAR which is subject to the same non-binding advisory vote at the Annual General Meeting.</p>
15.	<p><b>Assurance</b></p> <p>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 organization's external reports</p>	<p>The board, assisted by the Audit and Risk Committees, ensures that there is internal or external assurance, to review and report on the internal control environment, the integrity of information for management decision making and external reporting.</p> <p>The committees and the board receive regular reports from the external audit engagement partner, the internal audit manager, Group Legal counsel and the Group company secretary in respect of the above.</p>
<b>Stakeholder Relationships</b>		
16.	<p><b>Stakeholders</b></p> <p>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 organization over time</p>	<p>The board, together with key management, has identified all key stakeholders. The board, and specifically the Chief Executive Officer, delegates to achieve effective stakeholder relationships with material stakeholders and to balance their legitimate and reasonable needs, interests and expectations with that of the Group.</p> <p>The Group ensures equal treatment of all shareholders and that minority interests are protected.</p>

	<b>Principle</b>	<b>Application of Principle</b>
17.	<b>Responsibilities of institutional investors</b> The governing body of an institutional investor organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests	This principle does not apply, as the Group is not institutional investor.