

strate =

South Africa's Central Securities Depository

Strate Compliance with King III - 2015



Governance element	Status Applied or Explained	How
1 ETHICAL LEADERSHIP AND CORPORATE RESPONSIBILITY		
Responsible leadership		
1.1 The board should provide effective leadership based on an ethical foundation	Applied	The company is committed to uphold the King III report in all of its business dealings for the benefit of its shareholders and relevant stakeholders. The Audit, Risk and Compliance Committee (ARCC) is tasked with the oversight of ethics. The Board sets the tone for the Executive Committee (Exco) and staff to act ethically.
1.2 The board should ensure that the company is, and is seen to be, a responsible corporate citizen	Applied	Strate has a well-formulated strategy that incorporates sustainability. Strate achieved a Level 3 B-BBEE on the Financial Sector Charter demonstrating the company's commitment to being a good and responsible corporate citizen. Progress on achieving the strategy is provided at each Board meeting.
1.3 The board should ensure that the company's ethics are managed effectively	Applied	Strate has an ethics programme covering implementation of the Code of Conduct, the Conflicts of Interest Policy and the Gift Policy. Staff members received <i>ad hoc</i> training by the Ethics Officer in the Code of Conduct. There are mechanisms in place to report alleged unethical behaviour.
2 BOARDS AND DIRECTORS		
Role and function of the board		
2.1 The board should act as the focal point for and custodian of corporate governance	Applied	The Board, through its committees, monitors the governance practices and implementation thereof within the company. The committees report regularly to the Board about the state of governance in the company.
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	A strategy and business planning session with the Board took place in 2014 to agree the key strategies taking account of risk and ensuring profitability and sustainability. An update on Strate's strategy for the 2014 - 2018 period was approved by the Board in August 2015.
2.3 The board should provide effective leadership based on an ethical foundation	Applied	See principle 1.1.
2.4 The board should ensure that the company is, and is seen to be, a responsible corporate citizen	Applied	See principle 1.2.
2.5 The board should ensure that the company's ethics are managed effectively	Applied	See principle 1.3.

Governance element	Status Applied or Explained	How
2.6 The board should ensure that the company has an effective and independent audit committee	Applied	The responsibilities of the ARCC are set out in Terms of Reference approved by the Board. There are three independent ARCC members and one non-executive member. All the members are appointed annually at the company's Annual General Meeting. The effectiveness of the ARCC is assessed annually. A report by the ARCC describing how it has discharged its duties is included in the annual financial statements.
2.7 The board should be responsible for the governance of risk	Applied	The Board is ultimately accountable for the risk management process. The ARCC monitors the risk management process and provides feedback to the Board on the effectiveness thereof.
2.8 The board should be responsible for information technology (IT) governance	Applied	The Board has assigned oversight of the company's IT governance function to the ARCC, which oversees and monitors the governance of IT in the company, which is integral to the success of the company. The ARCC reports regularly to the Board.
2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	This function of the Board is delegated to ARCC to oversee and monitor. A report on legal and regulatory compliance is submitted to the ARCC annually.
2.10 The board should ensure that there is an effective risk-based internal audit	Applied	This function of the Board is delegated to the ARCC, which in turn provides oversight for risk-based internal audit.
2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The Board has a clear understanding of its responsibility to the various stakeholders. It is part of the board agenda to discuss and debate issues around stakeholder engagement and perceptions. The integrated report defines the various stakeholder groups and the company's interaction with these groups.
2.12 The board should ensure the integrity of the company's integrated report	Applied	This function of the Board is delegated to the ARCC, which reviews the entire Integrated Report and makes a recommendation to the Board.
2.13 The board should report on the effectiveness of the company's system of internal controls	Applied	The ARCC considers reports from the assurance providers and reports to the Board on the systems and effectiveness of internal controls.
2.14 The board and its directors should act in the best interests of the company	Applied	The company has a Code of Conduct that also applies to all directors. Board members are required to disclose any potential or actual conflict of interest as and when required.

Governance element	Status Applied or Explained	How
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 Companies Act, No. 71 of 2008	Applied	The ARCC assesses the going concern of the company before making a recommendation to the Board for the approval of this assessment. The Board would consider turnaround mechanisms should the company experience financial distress.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Applied	The current Board Chairman is an independent Chairman as defined by King III. The separate roles and responsibilities of the Chairman and the CEO are set out in the Board Charter.
2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The Board has appointed Ms Singer as Chief Executive Officer. A Delegation of Authority Policy has been approved by the Board and is required to be reviewed biennially.
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	Applied	The composition of the Board reflects a balance between executive and non-executive directors, of whom the majority are independent. The majority of directors are also non-executive.
Board appointment process		
2.19 Directors should be appointed through a formal process	Applied	Strate has a formal Board Appointment Policy and Board Succession Plan to address all board appointments. RemNomco assists the Board in identifying suitable members to the board and making recommendations thereof to the Board.
Director development and development of directors should be conducted through formal processes	Applied	Newly-appointed directors participate in an induction programme. They are introduced to key management and receive an induction pack containing Board and Committee Charters, statutory information, minutes of previous meetings and the most recent Integrated Report. The induction programme is tailored to the needs of each director, based on their qualifications, knowledge and experience, to ensure that directors are equipped to fulfil the role and are aware of their responsibilities. Strate is conscious of the need for industry-related training and it addresses this on an on-going basis. As part of the directors' on-going development, relevant information is circulated to directors on a regular basis, either as part of meeting documentation or on an ad hoc basis between meetings.

Governance element	Status Applied or Explained	How
2.20 The induction of and on-going training and development of directors should be conducted through formal processes	Applied	See principle 2.19.
Company Secretary		
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The company secretary is suitably qualified, experienced and skilled to perform her duties.
Performance assessment		
2.22 The evaluation of the board, its committees and the individual directors should be performed every year	Applied	Evaluations are conducted. The process is currently performed over a two year period which involves a comprehensive evaluation in the first year with a follow-up assessment of items raised in the interim year. The evaluations are performed by the Chairman of the Board who reviews the effectiveness of individual directors and the committees in one-on-one meetings with the individual directors.
Board committees		
2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	Specific responsibilities are delegated to board committees, each with defined terms of reference and annual work plans. Feedback is provided to the Board after each committee meeting by the chairmen of those committees.
Group boards		
2.24 A governance framework should be agreed between the group and its subsidiary boards	Not applicable	Not applicable
Remuneration of directors and senior executives		
2.25 Companies should remunerate directors and executives fairly and responsibly	Applied	RemNomco is responsible for the Remuneration Policy which includes the process of setting the remuneration of directors and executives and which is also approved by the Board. Fees for non-executive directors and executives are benchmarked by an independent service provider. Non-executive director fees are approved by special resolution at the AGM.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	Applied	Individual directors' fees and remuneration are disclosed in the Annual Financial Statements.
2.27 Shareholders should approve the company's remuneration policy	Applied	The Remuneration Policy is published in the Remuneration Report, contained in the Integrated Report, and is subject to a non-

Governance element	Status Applied or Explained	How
		binding advisory vote by shareholders at the AGM.
3 AUDIT COMMITTEES		
3.1 The board should ensure that the company has an effective and independent audit committee	Applied	See principle 2.6.
Membership and resources of the audit committee		
3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	The ARCC comprises three independent non-executive directors, and one non-executive director, with the necessary skills and expertise. Skills and qualifications are assessed by RemNomco.
3.3 The audit committee should be chaired by an independent non-executive director	Applied	The Chairman of the ARCC is independent as defined by King III.
Responsibilities of the audit committee		
3.4 The audit committee should oversee integrated reporting	Applied	See principle 2.12.
3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied	The ARCC is responsible for ensuring that a combined assurance model is applied. An Enterprise-wide Risk Management Policy and Framework forms part of the overall combined assurance plan.
Internal assurance providers		
3.6 The audit committee should satisfy itself on the expertise, resources and experience of the company's finance function	Applied	The ARCC annually reviews and satisfies itself that the company's finance function is adequately resourced by people with appropriate expertise and experience and that the Chief Financial Officer and finance function have the appropriate expertise and experience.
3.7 The audit committee should be responsible for overseeing of internal audit	Applied	See principle 2.10.
3.8 The audit committee should be an integral component of the risk management process	Applied	The ARCC monitors the risk management processes and systems of internal control.
External assurance providers		
3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The ARCC annually nominates the independent external auditors and recommends their appointment to the shareholders at the AGM. The ARCC is responsible for overseeing the external audit process.
Reporting		

Governance element	Status Applied or Explained	How
3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	The ARCC provides feedback to the Board at each Board meeting. Reporting to shareholders is given through the ARCC Report included in the Integrated Report and which is approved by the Board.
4 THE GOVERNANCE OF RISK		
The board's responsibility for risk governance		
4.1 The board should be responsible for the governance of risk	Applied	See principle 2.7.
4.2 The board should determine the levels of risk tolerance	Applied	The company's risk management policies identify and analyse the risks faced by the company, set appropriate risk limits and controls, and monitor risks and adherence to limits.
4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	See principle 2.7.
Management's responsibility for risk management		
4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	The ARCC is responsible for overseeing the development and annual review of a policy and plan for risk management and to monitor the implementation of the policy and plan.
Risk assessment		
4.5 The board should ensure that risk assessments are performed on a continual basis	Applied	The ARCC is responsible for ensuring that risk management assessments are performed on a continuous basis and that identified risks are prioritised and ranked.
4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	The ARCC is responsible for ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
Risk response		
4.7 The board should ensure that management considers and implements appropriate risk responses	Applied	High risk items are identified and reported to the Board through the ARCC as well as risk mitigations put in place.
Risk monitoring		
4.8 The board should ensure continual risk monitoring by management	Applied	See principle 4.5.
Risk assurance		
4.9 The board should receive assurance regarding the	Applied	Based on the Combined assurance approach, assurance is received from various parties

Governance element	Status Applied or Explained	How
effectiveness of the risk management process		(internal audit, external audit and others). Internal audit provides an annual assessment to the Board of the effectiveness of the internal controls and risk management process.
Risk disclosure		
4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	Adequate and effective disclosure is made in the Integrated Report. Risk Management is entrenched in the processes and procedures.
THE GOVERNANCE OF INFORMATION TECHNOLOGY		
5.1 The board should be responsible for information technology (IT) governance	Applied	See principle 2.8.
5.2 IT should be aligned with the performance and sustainability objectives of the company	Applied	The IT strategy is an integral component of the performance and sustainability of the company and IT forms an integral part of the risk management process.
5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	Through the ARCC terms of reference, management has been delegated the responsibility for the implementation of, and adherence to an IT governance framework.
5.4 The board should monitor and evaluate significant IT investments and expenditure	Applied	Through the ARCC, significant IT investments and expenditure are monitored and evaluated.
5.5 IT should form an integral part of the company's risk management	Applied	IT risk management is fully integrated in the risk management framework. A fully documented business continuity plan, which is subject to regular testing, exists to deal with potential business interruptions effectively and efficiently.
5.6 The board should ensure that information assets are managed effectively	Applied	ARCC is responsible for ensuring that information assets are managed effectively. The Strate Information Security Policy covers all aspects of information security.
5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	Through the ARCC terms of reference, the committee assists the Board in carrying out its IT responsibilities.
6 COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS		
6.1 The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules,	Applied	See principle 2.9.

Governance element	Status Applied or Explained	How
codes and standards		
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	Applied	Feedback on the company's legal and regulatory risks is provided to the ARCC on a regular basis. The ARCC in turn provides feedback to the Board.
6.3 Compliance risk should form an integral part of the company's risk management process	Applied	The ARCC is responsible for overseeing compliance with applicable legal and regulatory requirements.
6.4 The board should delegate to management the implementation of an effective compliance framework and processes	Applied	An independent compliance function has been established as a separate division of the Company. Compliance is included in the Risk Management Framework.
7 INTERNAL AUDIT		
The need for and role of internal audit		
7.1 The board should ensure that there is an effective risk based internal audit	Applied	See principle 2.10.
Internal audit's approach and plan		
7.2 Internal audit should follow a risk-based approach to its plan	Applied	Internal audit is required to develop and maintain annual and rolling three year audit plans that use an appropriate risk-based methodology.
7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	See principle 2.13.
7.4 The audit committee should be responsible for overseeing internal audit	Applied	ARCC is responsible for monitoring that the internal audit function is effective in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation.
7.5 Internal audit should be strategically positioned to achieve its objectives	Applied	The internal audit function has been outsourced to PwC and is therefore independent of management and accountable to the ARCC.
8 GOVERNING STAKEHOLDER RELATIONSHIPS		
8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	See principle 2.11.
8.2 The board should delegate to management to proactively deal with	Applied	Stakeholder Relations division deals with external stakeholders.

Governance element	Status Applied or Explained	How
stakeholder relationships		
8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied	Stakeholder interests are appropriately considered. Regular meetings are held with stakeholders where issues are discussed and reported on.
8.4 Companies should ensure the equitable treatment of shareholders	Applied	Shareholders are encouraged to attend the Annual General Meeting of the Company as well as the Board strategy day.
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	See principle 8.2.
Dispute resolution		
8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	The company ensures that a procedure exists for disputes to be dealt with in terms of an alternate dispute resolution procedure in all its agreements. This usually involves mediation between the parties in an effort to address the issues and also to preserve business relationships. In the event that mediation is not successful, a formal dispute resolution procedure is catered for through arbitration by a recognised independent arbitration organisation.
9 INTEGRATED REPORTING AND DISCLOSURE		
Transparency and accountability		
9.1 The board should ensure the integrity of the company's Integrated Report	Applied	See principle 2.12.
9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	Sustainability reporting, both financial and non-financial, is included in the reports of the Chairman, CEO and the CFO.
9.3 Sustainability reporting and disclosure should be independently assured	Applied	Sustainability reporting and disclosure are not independently assured as the Board does not believe there is significant benefit versus the cost of doing so.