

## CORPORATE GOVERNANCE REPORT

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DAWN complies with the principles and recommended practices of King IV™, applicable to DAWN, and the mandatory corporate governance requirements of the JSE. During the reporting period, DAWN applied the principles and recommended practices of King IV™, as disclosed in this report, for the first time.

### LEADERSHIP

#### Principle 1: The governing body should lead ethically and effectively.

The board of directors of DAWN exercises effective leadership, with directors adhering to their ethical and fiduciary duties. The directors discharge their responsibilities in the following manner:

- » Integrity: acting in good faith and in the best interest of DAWN. Declarations pertaining to conflicts of interest are tabled at each board meeting and untenable conflicts are identified and acted on.
- » Competence: ensuring the necessary experience, expertise and competency to lead effectively.
- » Responsibility: considering risks and overseeing and monitoring management's implementation and execution of the mitigating strategies ensuring accountability for the company's performance.
- » Accountability: accepting responsibility for the execution of their duties, even when these were delegated.
- » Fairness: adopting a stakeholder-inclusive approach and ensuring the equitable treatment of all stakeholders, while remaining cognisant of the group's short-, medium- and long-term impact on the economy, environment, society and its stakeholders.
- » Transparency: exercising governance roles and responsibilities in a transparent manner.

**Planned areas of future focus:** DAWN's code of ethical conduct will be further developed to include arrangements by which the members of the board will be held to account for ethical and effective leadership.

### ORGANISATIONAL ETHICS

#### Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The board determines and sets the tone of DAWN values, including principles of ethical business practice and human rights considerations and, supported by the social, ethics and transformation committee, approves DAWN's code of ethical conduct and considers the requirements for the group to be a responsible corporate citizen, based on integrity, competence, responsibility, accountability, fairness and transparency.

The implementation and execution of the code of ethical conduct has been delegated to management with the board, assisted by the social, ethics and transformation committee, providing ongoing oversight of the management of ethics by monitoring the activities with regard to ethics and ensuring it is integrated in the operations of the group.

The ethics programme, including the whistle-blowing mechanism and management of the independent and anonymous disclosure of information gathered from whistle-blowers to detect breaches of ethical standards, as well as ongoing effort to create awareness, detect and resolve ethical violations, together with the provision of training on anti-corruption, bribery and anti-competitive behaviour, contribute to a strong ethical foundation.

**Planned areas of future focus:** A process for the monitoring of adherence to the group's ethical standards by employees and other stakeholders through, among other, periodic independent assessments, will be considered.

# GOVERNANCE continued

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## RESPONSIBLE CORPORATE CITIZENSHIP

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

The board, assisted by the social, ethics and transformation committee and supported by the executive committee, oversees and monitors how the operations and activities of the group affect its status as a responsible corporate citizen. Through stakeholder engagement and collaboration, DAWN has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding solutions to sustainability challenges.

Oversight and monitoring of activities and outputs that affect DAWN's status as a responsible corporate citizen includes:

- » workplace (employment equity; fair remuneration; health and safety; training and development of employees);
- » economy (economic transformation; prevention, detection and response to fraud and corruption);
- » society (consumer protection; community development; protection of human rights); and
- » environment (carbon footprint).

**Planned areas of future focus:** A responsible and transparent tax policy will be developed for the group. The board, through the social, ethics and transformation committee, will be considering measures to monitor organisational ethics and methods by which to address outcomes.

## STRATEGY AND PERFORMANCE

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

The board informs and approves DAWN's strategy, which is aligned with the purpose of the group, the value capitals and value drivers of the business, and the expectations of its stakeholders, aimed at ensuring sustainability and which takes into account the top risks facing the group. With the support of the board committees, the board of directors oversees and monitors the implementation and execution by management of the policies, procedures and priorities and ensures that DAWN accounts for its performance by, amongst others, reporting and disclosure.

**Planned areas of future focus:** The revisiting of the turnaround strategy is a key priority.

## REPORTING

### 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.

The board, through the audit and risk committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the integrated report and any other disclosures.

Reporting frameworks and materiality are approved by the audit and risk committee to ensure compliance with legal requirements and relevance to stakeholders.

The audit and risk committee oversees the integrated reporting process and reviews the annual financial statements. DAWN ensures that the integrated report, including the sustainability report and the annual financial statements and corporate governance disclosures are published on the website, [www.dawnltd.co.za](http://www.dawnltd.co.za).

**Planned areas of future focus:** An ongoing focus area will be the streamlining of reporting to enhance disclosure in a concise manner and aligned to the Integrated Reporting Framework.

## PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY

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

The board has an approved charter which it reviews annually, which charter sets out its governance responsibilities, including the role, responsibilities, membership requirements and procedural conduct. Through its sub-committees, the board implements and monitors the governance practices within the group.

The board as well as any director or committee may obtain independent, external professional advice at DAWN's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management, as and when required.

An appropriate governance structure is in place to ensure all entities within DAWN adhere to group requirements and governance standards.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

**Planned areas of future focus:** The process of alignment of DAWN's policies and procedures to King IV™ is ongoing and will continue in the year ahead. A formal governance framework policy will be adopted in the year ahead.

## COMPOSITION OF THE GOVERNING BODY

### **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.**

*JSE Listings Requirements (paragraph 3.84, service issue 25) – mandatory disclosure requirements: Categorisation of directors; Balance of power and authority on the board; Appointment of the chief executive officer and chairman; Policy on the promotion of gender and race diversity on the board; CV of each director standing for election or re-election.*

The capacity of each director is categorised as defined in the JSE Listings Requirements, also taking into consideration King IV™ and other factors as outlined in the board charter.

The board evaluated and concluded that as at 31 March 2018 the board comprised a majority of independent non-executive directors with four of the six non-executive directors being independent according to the Companies Act definition.

Theunis de Bruyn and George Nakos are not considered independent in terms of the definition as they represent significant shareholders of the company.

One of the non-executive directors on the board has served a term exceeding nine years. The board reviewed the independence of Lou Alberts and, after due consideration, concluded that his long association with the group has not impaired his integrity, impartiality and objectivity and that he has retained his ability to act independently.

As at the publication date, being 31 July 2018, the board comprised nine directors with six being non-executive, four of whom are independent. The executive directors are the chief executive officer, the chief financial officer and the chief of staff.

When considering appointment or re-election of directors, the board, with the support of the nomination committee, gives consideration to the knowledge, skills and resources required for conducting the business as well as considering the size, diversity and demographics to ensure the board's effectiveness.

There is a clear distinction between the roles of the chief executive office and the acting chairman and these positions are occupied by separate individuals, with the acting chairman being a non-executive director. In accordance with King IV™, a lead independent director has been appointed to deal with any perceived issues flowing from the limited area of potential non-independence or conflict of interest.

A brief CV for each director standing for election or re-election at the annual general meeting is included in the integrated annual report, of which the notice of annual general meeting forms part. Lou Alberts, George Nakos and René Roos retire by rotation. Lou Alberts, lead independent director, retires with effect from 31 July 2018, and did not offer himself for re-election as a director of the company. René Roos tendered her resignation, effective 31 October 2018, and therefore did not offer herself for re-election as a director of the company. Steve Naudé has been appointed as independent non-executive director with effect from 1 August 2018 and a resolution to ratify his appointment will be presented to shareholders at the annual general meeting to be held on Friday, 31 August 2018.

# GOVERNANCE continued

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The board adopted a policy on gender and race diversity on 22 March 2018. The policy addresses gender and race diversity across the group and is not restricted to board level only. The objectives of the policy are:

- » promoting equitable gender and race representation;
- » recognising and embracing the benefits of having a diverse board and workforce which will include and make good use of differences in the skills, industry experience, background, race, gender and other distinctions;
- » that all appointments will be made on merit, in the context of the skills, experience, independence and knowledge, which the group as a whole requires to be effective;
- » to discuss and agree annually all measurable objectives for achieving diversity; and
- » the annual review of the policy, which will include an assessment of the effectiveness of the policy, any revisions that may be required and recommendations of any such revisions to the board.

**Planned areas of future focus:** Measurable objectives for achieving race and gender diversity on the board, including targets, appropriate for the company, will be determined for implementation over a specified period of time.

## COMMITTEES OF THE GOVERNING BODY

### **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.**

*JSE Listings Requirements (paragraph 3.84, service issue 25) – mandatory disclosure requirements: Audit committee, remuneration committee and social and ethics committee; Expertise and experience of the financial director.*

Committees have been established to assist the board in discharging its responsibilities. The committees of the board comprise the audit and risk committee, the remuneration committee, the nomination committee, the social, ethics and transformation committee and the IT steering committee.

The committees are appropriately constituted and members are appointed by the board, except the audit and risk committee (which is a statutory committee in terms of the Companies Act – from an audit perspective) whose members are nominated by the board and elected by shareholders.

The nomination committee reviews the composition of the board committees and makes recommendations to the board with regard to their composition, including the appointment of the chairman of each committee, taking into account factors such as diversity and skills as well as the need to create an even spread of power and authority.

External advisors and executive directors attend committee meetings by invitation. Formal terms of reference have been established and approved for each committee, which are reviewed annually.

The board considers the allocation of roles and associated responsibilities and the composition of membership across committees holistically, so as to achieve the following:

- » Effective collaboration through cross-membership between committees, where required; coordinated timing of meetings; and avoidance or duplication or fragmented functioning in as far as possible.
- » Where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such matter are defined to ensure complementary rather than competing approaches.
- » There is a balanced distribution of power in respect or membership across committees, so that no individual has the ability to dominate decision making, and no undue reliance is placed on any individual.
- » A delegation by the board of its responsibilities to a committee does not by or of itself constitute a discharge of the board's accountability.

## **Audit and risk committee**

During the year, the audit and risk committee comprised three independent non-executive directors, all of whom are independent.

The chairman of the board is not a member of the committee. The audit and risk committee is constituted as a statutory committee in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the board in terms of all other duties assigned to it by the board, which include the monitoring and evaluation of committee risk functions.

The committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to subsidiaries.

The performance of the audit and risk committee and significant issues dealt with during the year are set out in the report of the audit and risk committee included in the annual financial statements from pages 70 to 75.

Following the retirement and resignation of Lou Alberts and Akhter Moosa with effect from 31 July 2018, respectively, Charles Boles will be appointed as chairman of the audit and risk committee. Steve Naudé has been appointed as independent non-executive director of the board and member of the audit and risk committee with effect from 1 August 2018. The audit and risk committee will therefore comprise three independent non-executive directors, and resolutions confirming their appointment will be presented to shareholders at the annual general meeting to be held on Friday, 31 August 2018.

## **Remuneration committee**

The remuneration committee is responsible for overseeing remuneration. All members of the committee are independent, non-executive directors. The chairman of the board is a member of the committee. The report of the remuneration committee appears on pages 36 to 51.

Following Lou Alberts' retirement from the board and as chairman of the remuneration committee, Charles Boles will assume the role of chairman of the remuneration committee with effect from 1 August 2018. Steve Naudé has been appointed as independent non-executive director and member of the remuneration committee, effective 1 August 2018. Theunis de Bruyn, the acting non-executive chairman whose designation changes to non-executive chairman on 1 August 2018, is the third member of the committee. The size of the board from 1 August 2018 limits the number of independent non-executive directors available for committee positions due to capacity constraints.

## **Nomination committee**

The board has delegated oversight of, amongst others, the following to the nomination committee:

- » the process for nominating, electing and appointing members of the board;
- » succession planning of directors; and
- » evaluation of the performance of the board and its committees.

During the reporting period, all the members of the nomination committee were non-executive independent directors and the chairman of the board, Diederik Fouché, was the chairman of the committee until his resignation on 1 March 2018. Charles Boles, independent non-executive director, was appointed as chairman of the nomination committee effective 1 March 2018.

# GOVERNANCE continued

Attendance at meetings by members and invitees of the nomination committee during the period 1 April 2017 to 31 March 2018 is outlined below:

	27 Jun 2017	17 Aug 2017	13 Nov 2017	13 Mar 2018
<b>Members</b>				
Charles Boles (independent non-executive chairman) <sup>1</sup>	n/a	n/a	n/a	√
Diederik Fouché (independent non-executive chairman) <sup>2</sup>	√	√	√	n/a
Lou Alberts (lead independent director of the board)	√	√	√	√
Akhter Moosa (independent non-executive director) <sup>3</sup>	√	√	√	√
<b>Invitees</b>				
Edwin Hewitt (chief executive officer)	√	√	√	√
Stephen Connelly (executive deputy chairman of the board) <sup>4</sup>	Apology	√	√	n/a
Chris Booyens (chief financial officer)	√	√	√	√
René Roos (chief of staff)	√	√	√	√
Hanré Bester (group financial manager)	√	√	√	√
<b>Company secretary</b>				
Claire Middlemiss	√	√	√	√

<sup>1</sup> Appointed as chairman of the committee with effect from 1 March 2018

<sup>2</sup> Resigned with effect from 1 March 2018

<sup>3</sup> Appointed as member with effect from 27 June 2018

<sup>4</sup> Resigned with effect from 31 January 2018

Lou Alberts and Akhter Moosa retires and resigns, respectively, with effect from 1 August 2018 and Dinga Mncube (independent non-executive director;) has been appointed as a member of the nomination committee and Steve Naudé has been appointed as independent non-executive director and member of the nomination committee, effective 1 August 2018.

## Social, ethics and transformation committee

The social, ethics and transformation committee is responsible for overseeing and reporting on social, ethics, transformation and sustainability matters. It is also responsible to execute on the statutory duties set out in the Companies Act.

The members of the committee comprise two independent non-executive directors and the chief of staff, an executive director. René Roos, the chief of staff, tendered her resignation with effect from 31 October 2018. The report of the social, ethics and transformation committee appears on pages 52 to 57.

**Planned areas of future focus:** The board and its committees have approved their respective annual workplans for the year ahead, which plans will be actioned and reported on in the next integrated report.

## EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY

### 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.

An annual evaluation of the board was conducted in 2018 and consisted of a questionnaire being completed by all board members. The results were collated by the company secretary and passed on to the board who assessed the results. The board concluded that the organisation's performance versus that of its peers and comparisons of industry are to be aggressively considered in a manner that enhances comprehensive risk oversight.

This annual evaluation is comprehensive, encompassing all aspects of the board's responsibilities. It covers the effectiveness of the board as a whole.

Nomination for re-appointment of a director only occurs after evaluation of performance and attendance at meetings by the director.

The chairman annually appraises the chief executive officer and the results of this appraisal are considered by the remuneration committee to guide it in its evaluation of the performance and remuneration of the chief executive officer.

**Planned areas of future focus:** The nomination committee will annually consider other commitments of directors and whether the director has sufficient time to fulfil the responsibilities as a director to ensure they can still execute their job effectively and are free from conflicts that cannot be managed satisfactorily. Should the committee be of the view that a director is overcommitted or has an unmanageable conflict, the chairman will meet with that director to discuss the resolution of the matter to the satisfaction of the committee.

## APPOINTMENT AND DELEGATION TO MANAGEMENT

### **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.**

*JSE Listings Requirements (paragraph 3.84, service issue 25) – mandatory disclosure requirements: The company secretary.*

#### **Chief executive officer and executive management**

The role and function of the chief executive officer are specified in the board charter and the performance of the chief executive officer is evaluated by the board against the criteria specified.

The board approves and regularly reviews the delegation of authority. The chief executive officer, chief financial director and executive management are jointly and severally the highest executive decision-making authority of the group and are jointly and severally delegated with authority from and are jointly and severally accountable to the board for the successful implementation of the group strategy and the overall management and performance of the group, consistent with the primary aim of enhancing long-term shareholder value.

In terms of the delegation of authority framework, executive management supports the chief executive officer and chief financial officer in the implementation of the group strategy and the overall management and performance of DAWN. The chief executive officer and chief financial officer may sub-delegate all matters not specifically reserved for decision-making by the board or shareholders.

The chief executive officer and chief financial officer are not members of the audit and risk, remuneration, nomination and social and ethics committees, but attend any meeting, or part thereof, by invitation, if needed, to contribute pertinent insights and information.

The board evaluates the performance of the chief executive officer and chief financial officer annually against agreed performance measures and targets.

#### **Company secretary**

During the year, iThemba Governance and Statutory Solutions (Pty) Ltd, represented by Claire Middlemiss, was the company secretary until 31 March 2018. The board extends its appreciation to iThemba Governance and Statutory Solutions (Pty) Ltd for their valuable contribution in the role as company secretary since 2015.

Vanessa White, chief governance officer of the group, assumed the role of company secretary of the company with effect from 1 April 2018. Brief biographical details of Vanessa White appear on page 20. The company secretary has a direct channel of communication to the chairman, while maintaining an arm's length relationship with the board and the directors as far as reasonably possible. The role and responsibilities of the company secretary are described in the board charter.

**Planned areas of future focus:** The performance, experience and expertise of the company secretary will be evaluated by the board during F2019.

# GOVERNANCE continued

## RISK GOVERNANCE

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

The board has direct responsibility for the governance of risk and approves DAWN's risk policy that gives effect to its set direction on risk. DAWN is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes. The board also approves DAWN's top risk profile and financial risk appetite and tolerance levels, ensuring that risks are managed within these levels and considers the risk environment from time to time, as deemed appropriate and based on materiality and changes in the external and internal environments.

To support the board in ensuring effective risk management oversight, the board committees are responsible for ensuring the effective monitoring of relevant group top risks within the ambit of each committee's scope. In monitoring and providing oversight on DAWN's risk, each committee will consider potential risks and/or opportunities as appropriate.

Key risks and mitigation strategies are disclosed under risk management on pages 32 and 33 in the integrated report.

**Planned areas of future focus:** A focus for the year ahead will be the identification and monitoring of key risk indicators.

## TECHNOLOGY AND INFORMATION GOVERNANCE

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

The board is ultimately accountable for the governance of technology and information management. The board, through the audit and risk committee, oversees and monitors the governance of information technology (IT) in the group. Information management risks are addressed and the return on major IT investments, aligned to DAWN's strategy, is monitored by the board. The IT strategy is aligned to DAWN's business needs and sustainability objectives.

The IT steering committee assists the board in its responsibility for IT governance and facilitates the integration of the IT strategy into group companies' strategic and business processes.

Attendance at meetings by members and invitees of the IT steering committee during the period 1 April 2017 to 31 March 2018 is outlined below.

	28 Jul 2017	30 Oct 2017	9 Mar 2018
<b>Members</b>			
Chris Booyens (chief financial officer – chairman)	√	√	√
René Roos (chief of staff)	√	√	√
Brendan Clark (chief information officer)	√	√	√
<b>Invitees</b>			
Vanessa White (chief governance officer)	√	√	√

**Planned areas of future focus:** An IT governance policy will be documented to formalise alignment between King IV™ practices and the IT strategy of the group.

## COMPLIANCE GOVERNANCE

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

The board requires all group companies and their directors and employees to comply with all applicable laws. Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws and also to ensure appropriate responses to changes and developments in the regulatory environment.

The social, ethics and transformation committee and audit and risk committee receive regular reports on compliance matters, relevant to their respective terms of reference. The chief governance officer also fulfils the role of group compliance officer.

To the extent that legal and regulatory matters have an impact on the financial statements, reports are presented to the audit and risk committee.

*Planned areas of future focus:* Ongoing development of the compliance risk management plan.

## REMUNERATION GOVERNANCE

**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.**

*JSE Listings Requirements (paragraph 3.84, service issue 25) – mandatory disclosure requirements: The remuneration policy and the implementation report.*

DAWN has an embedded rewards strategy and policy which translates into competitive and appropriate reward outcomes. The background information, remuneration policy and implementation report are reported on in detail on pages 36 to 51 in the report of the remuneration committee in the integrated report.

DAWN's remuneration committee is tasked by the board to independently approve and oversee the implementation of a remuneration policy that will encourage the achievement of DAWN's strategy and grow stakeholder value sustainably.

DAWN discloses the remuneration of each director and prescribed officer individually in its annual financial statements.

In line with the recommended practices in King IV™, both the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by the shareholders for the first time at the annual general meeting to be held on Friday, 31 August 2018.

*Planned areas of future focus:* As part of the turnaround process, the remuneration policy will be updated.

## ASSURANCE

**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 of the organisation's external reports.**

The audit and risk committee is responsible for the quality and integrity of DAWN's integrated reporting. The board, with the support of the audit and risk committee, satisfies itself that the combined assurance model is effective and sufficiently robust for the board to be able to place reliance on the combined assurance underlying the statements that the board makes concerning the integrity of the company's external reports.

A combined assurance approach has been implemented that assists in addressing control over the key risks facing the group.

Further disclosure is contained in the combined assurance section on pages 34 and 35 of the integrated annual report.

*Planned areas of future focus:* The combined assurance approach will be reviewed on a continuous basis.

# GOVERNANCE continued

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## STAKEHOLDERS

**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.**

DAWN strives to ensure a systematic and integrated approach to stakeholder engagement across the group, facilitated through engagement programmes to enable increased assurance to the board that all stakeholder issues have been identified, prioritised and appropriately addressed.

It is a business imperative that DAWN understands and is responsive to the needs and interests of its key stakeholder groups.

The subsidiary companies have delegated responsibilities, as required, to board committees of the holding company and have adopted the policies and procedures of the holding company.

Stakeholder engagement disclosures appear on pages 14 to 17 of the integrated report.

**Planned areas of future focus:** Stakeholder engagement will be increased to facilitate feedback from the different stakeholder groups and in support of the board's intentional stakeholder-inclusive approach.