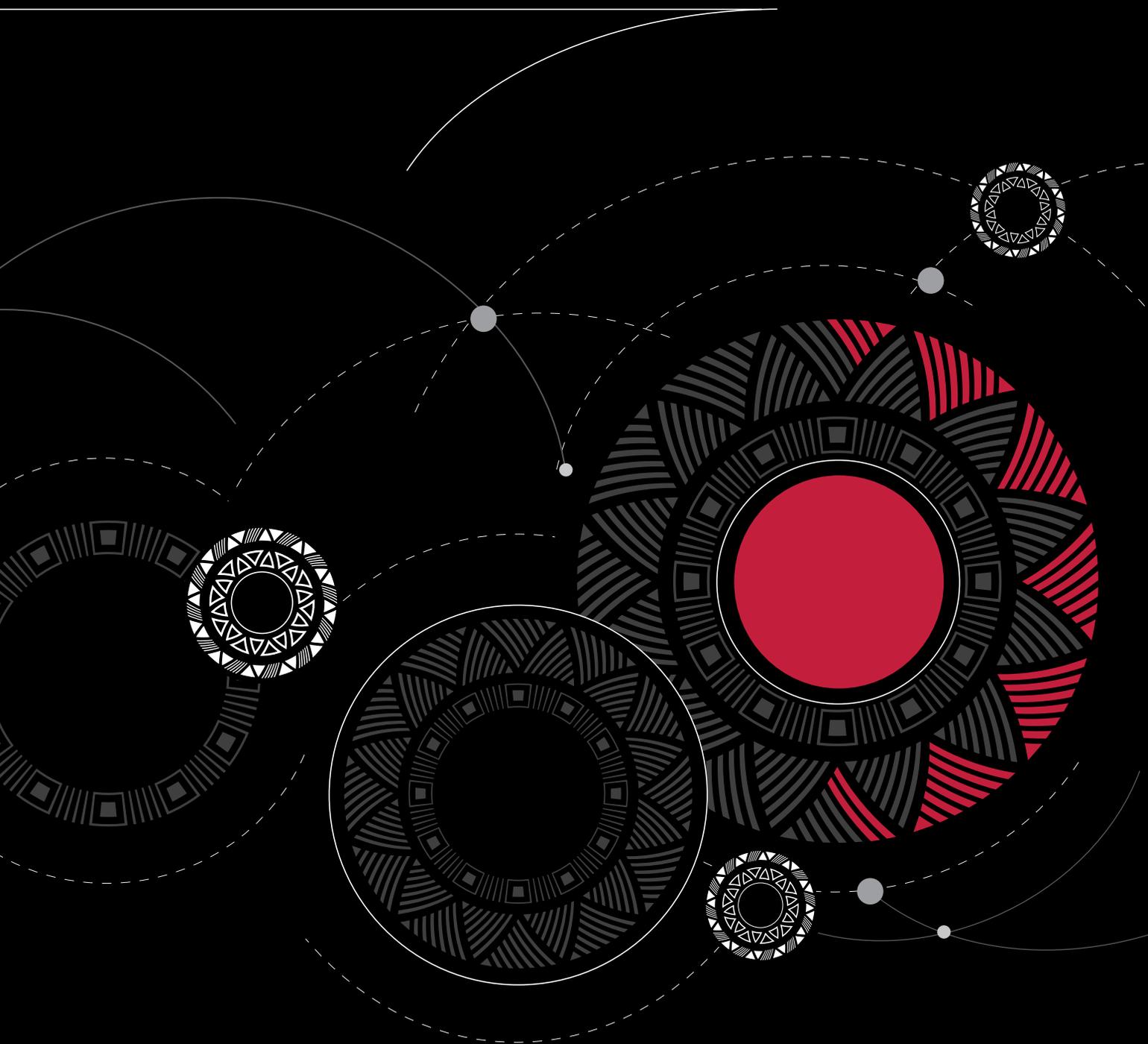




Datatec King IV™

Application of Principles



Datatec King IV™ Application of Principles

Datatec believes that good corporate governance contributes to enhanced accountability, fairness and transparency. Adopting King IV™ is a commitment to the philosophy of stakeholder inclusivity, corporate citizenship and protecting the value that Datatec creates. Accordingly, this document details how the Board applies the King IV™ corporate governance principles.

King IV™ Principle	Application of King IV™	Reference for Further Information
<p>Principle 1 - The governing body should lead ethically and effectively.</p>	<p>The Board acknowledges its responsibility to consider the impact of the Company's operations on the economy, community and the environment in its decision making and is committed to the principles of sustainability in achieving Datatec's strategy to deliver long-term, sustainable, above-average returns to shareholders. Sustainability encompasses social and environmental responsibility as well as corporate governance and ethics.</p> <p>The Company retains overall control of each of the group's three divisions: Westcon; Logicalis; and Consulting & Financial Services, which ensures that its sustainable business model of long-term growth built on sustainable and social and environmental responsibility platform is filtered through.</p> <p>The Company has adopted a Code of Conduct which is available on the website. The Code of Conduct stipulates, amongst other things, that the Company must ensure it practises good business ethics as well as ensuring that all of its subsidiaries and business partners adhere to the Code of Conduct.</p>	<p>Pages 4-5 and 74-75 of the Integrated Report</p> <p>See website for the Code of Conduct</p>
<p>Principle 2 - The governing body should govern the ethics of Datatec in a way that supports the establishment of an ethical culture.</p>	<p>The Board promotes the values of Datatec as published in the Integrated Report of the Company. These values are further emphasized in the Code of Conduct.</p> <p>Every employee is required to annually complete Code of Conduct and anti-bribery and corruption on-line training.</p> <p>Datatec has a Whistle Blowing Hotline which is available 24 hours a day and is operated independently from Datatec or any of its subsidiaries. Any employee or third party is able to report any conduct that fails to comply with the Code of Conduct.</p>	<p>Pages 4-6 and 74-75 of the Integrated Report</p>
<p>Principle 3 - The governing body should ensure that Datatec is and is seen to be a responsible corporate citizen.</p>	<p>The Board considers sustainability to encompass social and environmental responsibility, good corporate governance and ethics which are fundamental to the way the Company interacts with its stakeholders, investors, customers, suppliers, employees and the community.</p> <p>The Company strives to minimise its own impact on the natural environment as well as assisting its customers to become more efficient in their use of their IT systems and networks.</p>	<p>Pages 5, 62 -65 and 86-87 of the Integrated Report</p>

	<p>The Company is involved in developing corporate citizenship policies and identifying how best to use the Company's resources to make the best possible impact by providing sustained economic growth, corporate social investment and emerging market development.</p> <p>The Datatec Educational and Technology Foundation not only supports local communities through donations and volunteer work, but also ensures that it monitors and reports to its stakeholders on its corporate social responsibility programmes. The various programmes are also required to account to Datatec on how they have used its donations to ensure that the Company's resources are utilised effectively and efficiently. Subsidiaries are also involved in a number of corporate social responsibilities initiatives.</p>	
<p>Principle 4 - The governing body should appreciate that Datatec'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>In approving the group's strategy, the Board appreciates the interconnectedness between the organisation's purpose, vision, values and legitimacy to the risks and opportunities, the group's architecture and performance. The group's strategy is consistent with integrated thinking, which links different capitals and ensures sustainable outcomes. Annually, the Board dedicates at least one Board meeting, in which the Board deliberates on the group's strategy, assesses the risks and opportunities, considers progress on implementation of the strategy and ensures that it is in line with group values and ensures long term success and sustainability of the group.</p>	<p>Page 7-11 of the Integrated Report</p>
<p>Principle 5 - The governing body should ensure that reports issued by Datatec enable stakeholders to make informed assessments of Datatec's performance, and its short, medium and long-term prospects.</p>	<p>Communicating with all stakeholders is a fundamental part of Datatec's drive to provide timely, transparent and full disclosure. The Board considers good corporate governance fundamental to the relationship between the Company and its stakeholders through regular meetings, presentations, press releases, announcements and through Datatec's website. Strategic stakeholder management is aimed at establishing open, mutually beneficial relationships which are at the heart of Datatec's business strategy and its communications.</p> <p>Continued engagement with material internal and external stakeholders takes place and their needs and expectations are considered. Stakeholders include staff, vendors, customers, shareholders, regulators and communities. This process highlights any material matters. The material matters identified are then ranked according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with stakeholders. These material matters are continuously assessed by the Board and its sub-committees to ensure the strategy remains relevant.</p>	<p>Pages 26 and 27 of the Integrated Report</p>

	<p>Within the various subsidiaries, management has developed strategies and policies which assist in managing relationships with various stakeholder groups.</p>	
<p>Principle 6 - The governing body should serve as the focal point and custodian of corporate governance at Datatec.</p>	<p>Datatec believes that good corporate governance contributes to enhanced accountability, fairness and transparency. The Board is ultimately accountable and responsible for the performance of and affairs of the Company and is committed to upholding the King IV™ principles.</p> <p>The Company has a Board charter which is in line with the King IV™ as well as the Companies Act. The Board's responsibilities are fully set out in the charter.</p> <p>The Board has taken steps in terms of its custodianship of governance, which include annual Board continuity and effectiveness reviews to determine the way forward in respect of strategic direction and to improve the overall wellbeing of the organisation.</p> <p>The Board oversight functions have been reviewed against King IV™ recommended practices.</p>	<p>Pages 4-5 of the Integrated Report</p> <p>See website for the Board Charter</p>
<p>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.</p>	<p>The Board does comprise of the appropriate balance. This is something that is reviewed by the Board and Nominations Committee to ensure that the right balance of skills and experience is always present. This is done during the re-election process whereby the skills and experience of each director is reviewed to ensure fit with the organisational requirements. The Board complies with the Companies Act and JSE listing requirements for the composition of the Board and its committees. The majority of the directors are independent non-executive directors (7 out of 9). The qualifications and experience of each member of the Board is detailed in the Integrated Report. Individuals comprising the governing body have diverse skills and experience to ensure effective discharge of duties.</p>	<p>Pages 20-23 of the Integrated Report</p>
<p>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.</p>	<p>The Nominations Committee and the Board review the independence of the Datatec structures and non-executive directors thoroughly each year and this review of independence takes into account a number of factors.</p> <p>The non-executive directors do not participate in the day to day operations of the Company, but they hold executive directors accountable.</p> <p>The chairman of the Board is an independent non-executive director and is not the chief executive of the Company.</p> <p>The current Board committees are:</p> <ul style="list-style-type: none"> • Audit, Risk and Compliance Committee (ARCC); • Remuneration Committee; • Nominations Committee; • Social and Ethics Committee. 	<p>Pages 74-75, 85 and 96 of the Integrated Report</p> <p>See website for the Board and committee charters</p>

<p>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.</p>	<p>The board has developed questionnaires for itself and the committees to ensure the annual appraisals are conducted formally against a series of criteria based on the Board and committee charters.</p> <p>The evaluations are considered as an integral part of the re-election process. Each individual's skills, experience and performance over the last year is considered before re-election to ensure that they are still capable and able to carry out their duties.</p>	<p>Page 85 of the Integrated Report</p>
<p>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.</p>	<p>Datatec adheres to sound practices in respect of Board continuity programmes, succession planning, Board delegation processes and annual CEO and CFO performance evaluation. The company secretary is responsible for coordinating advice to the Board on corporate governance matters from professional advisors as required. Board structures undergo annual review for effectiveness through independent and internal board evaluations. Additionally, Board committee charters undergo annual evaluations to determine the level of effectiveness and to identify areas for improvement.</p>	<p>Pages 84 and 96-97 of the Integrated Report</p>
<p>Principle 11 - The governing body should govern risk in a way that supports Datatec in setting and achieving its strategic objectives.</p>	<p>Risk-based leadership with the Board at its apex is fundamental to Datatec's approach to its operations. In line with King IV™, the Board governs risk in a way that supports the organisation in setting and achieving its strategic objectives.</p> <p>The ARCC on behalf of the Board monitors risk management in Datatec. The Company has a Risk Policy that has been disseminated throughout Datatec and applied by the subsidiaries. There is a Risk Management Framework which sets out the procedures by which the Risk Policy is implemented.</p> <p>The ARCC and Board also receive reports from internal audit on the effectiveness of internal controls.</p>	<p>Pages 62-68 of the Integrated Report</p>
<p>Principle 12 - The governing body should govern technology and information in a way that supports Datatec in setting and achieving its strategic objectives.</p>	<p>The Board has the responsibility to govern technology and information in a way that supports the organisation in setting and achieving strategic objectives.</p> <p>Datatec has a group-wide IT charter which assists the group in enhancing IT governance. The Board has ensured that IT internal controls are firmly embedded in the group's risk management culture by identifying IT risk as one of the risks to be managed across all operations with controls and assurance provision to be maintained and reviewed in the same way as for other risks. The group has an ICT Governance Committee comprising divisional risk management and IT executives with the aim of reinforcing the integration of IT risk issues into the group's risk management framework. The Board includes a</p>	<p>Page 90-91 of the Integrated Report</p>

	<p>review of IT governance procedures operated by the group's major divisions in its annual timetable to assist in its IT governance role. In addition, there are documented and tested procedures in the major subsidiaries which allow them to continue their critical business processes in the event of a disastrous incident impacting their activities. Such documented procedures are reviewed annually and, where weaknesses are identified, the relevant subsidiaries are required to rectify them.</p>	
<p>Principle 13 - The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Datatec being ethical and a good corporate citizen.</p>	<p>The Board governs compliance with applicable laws and adopted non-binding rules, codes and standards in a way which supports the organisation being ethical and a good corporate citizen. Each division manages compliance with relevant laws and regulations, which the ARCC has divided into broad categories for the purposes of monitoring. Each category is considered in the risk assessment process and, if appropriate, a risk is recorded on the relevant risk register and managed in accordance with the risk management framework. The division's ARCC report on each category of legislation, noting whether any breaches of compliance have been identified.</p>	<p>Pages 88-89 of the Integrated Report</p>
<p>Principle 14 - The governing body should ensure that Datatec 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 Remuneration Committee aims to ensure that Datatec remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The underlying philosophy of the Remuneration Committee is to set remuneration levels as necessary to attract and retain the best international talent and to provide the potential for upper-quartile earnings when corporate and individual performance justify this.</p> <p>Datatec has established a framework of policies, within which it sets the remuneration package for the executive directors and senior executives. The Remuneration Committee also has full access to independent executive remuneration consultants.</p>	<p>Pages 98-124 of the Integrated Report</p>
<p>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 Datatec's external reports.</p>	<p>The combined assurance framework for monitoring and evaluating the effectiveness of the internal controls is in place throughout Datatec. This framework deploys and coordinates internal and external assurance providers to report to the ARCC and Board on the effectiveness of Datatec's internal controls. There are a number of assurance providers that either directly or indirectly provide the Board and management with certain assurances, these include:</p> <ul style="list-style-type: none"> • Management-based assurance; • Internal Audit; • External independent assurance; • Oversight committees. 	<p>Page 90-91 of the Integrated Report</p>

	<p>External assurance providers include external audit, regulators, sustainability assurance providers and other professional advisors.</p>	
<p>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 Datatec over time.</p>	<p>Datatec recognises stakeholder engagement as key to its corporate accountability and has identified key stakeholders groups who may have an impact on or be impacted by its business strategy, activities and policies. Datatec engages in proactive dialogue with key stakeholders to identify material issues affecting the Company's ability to deliver on its strategy. Datatec aims to maintain open and transparent relationships with all stakeholders based on trust and mutual respect. Datatec engages with its stakeholders through various channels with the aim of identifying and addressing areas of mutual interest.</p> <p>In line with good governance, the Board has overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure.</p>	<p>Pages 26 and 27 of the Integrated Report</p>