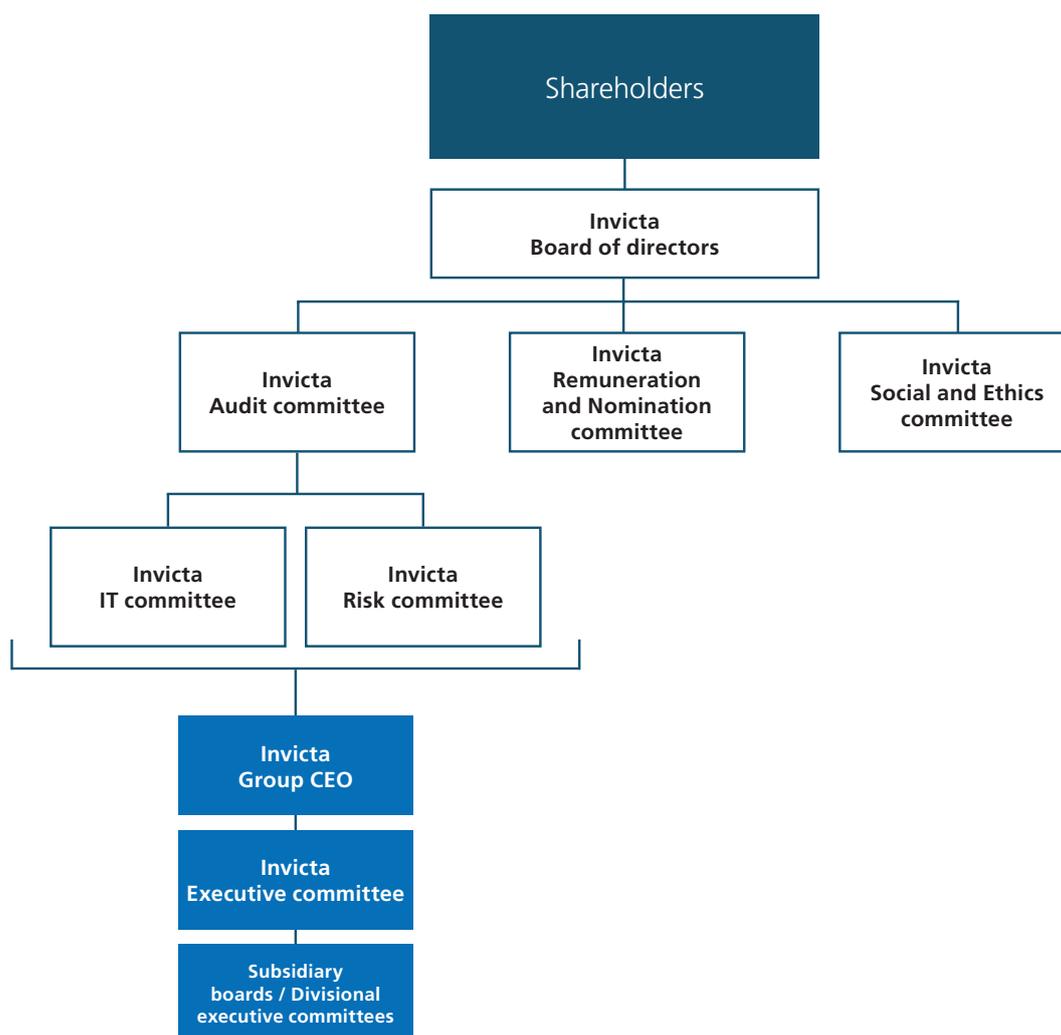


# GOVERNANCE STRUCTURE



## GOVERNANCE REPORT INTRODUCTION

The board of directors of Invicta and senior management across the Group are committed to the highest standards of corporate governance and take pride in their high moral and ethical business standards, accompanied by sound and transparent business practices. This includes the promotion, enhancement, development and protection of the business interests, reputation and goodwill of the Company and the Group.

The board is responsible for corporate citizenship and accountable for the stewardship of Group assets, which have ensured sustainable returns. The board continues to provide stakeholders with the assurance that the Group’s business is managed responsibly.

As corporate governance is constantly evolving, Invicta continually focuses on seeking ways to improve on its corporate governance standards. The board is committed to and applies the principles contained in King III, which have been adopted on an “apply or explain” approach as more fully detailed hereinafter, and in doing so, continuously strives to achieve corporate governance best practice. The board is in the process of assessing King IV in order to implement its recommendations to further reinforce its corporate governance standards.

The board, assisted by the Audit committee, Risk committee, Remuneration committee (and Nomination committee), Social and Ethics committee, IT committee and Executive committee, is responsible for overall corporate governance and monitors compliance with all applicable laws, rules, codes, standards and the Listings Requirements, and ensures ongoing improvement in the Group’s adherence to the principles set out in King III. The company secretary is responsible for assisting the board in monitoring compliance and the day-to-day management of corporate governance.

### BOARD OF DIRECTORS

#### Structure and role of the board

The board has a unitary structure and comprises of 3 executive directors and 7 non-executive directors, of which 3 are considered independent non-executive directors. The profiles of the members of the board are set out on pages 8 and 9 of this Report.

#### Chairman and chief executive officer

The roles of the non-executive chairman and chief executive officer (CEO) are separated in accordance with the board’s policy of division of responsibilities. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. The chief executive officers or managing directors of the operating subsidiaries and divisions report to the Invicta Group CEO, who in turn reports to the Invicta board.

## Executive directors

Executive directors are appointed by the board to oversee the day-to-day running of the Company. Executive directors are held accountable through regular reporting to the board, and their performance is measured against predetermined criteria.

## Non-executive directors

Non-executive directors provide the board with advice and experience that is independent of management and the executive. The presence of independent non-executive directors on the board, and the critical role they play as board representatives on key committees, ensures that the Company's interests are served by impartial views that are separate from those of management and shareholders.

## Independence assessment

Annually, the board considers where appropriate each director's independence and is of the view that the following aspects are important in assessing whether a non-executive director is independent:

- the director had not been employed in an executive capacity in the Group in the previous 3 years;
- the director had not served on the board for longer than 9 years – should this be the case, the board considers whether that director's independence, judgement and contribution to the board's deliberations could be compromised, or may appear to be compromised, by the length of service;
- does the director represent a major shareholder; or
- does the proportion of that director's shareholding in the Company or director's fees represent a material part of their wealth or income.

## Board charter

A board charter, which is reviewed annually, has been adopted to guide the board in governance issues and sets a framework within which the board functions. The board charter sets out the board's duties and obligations, which include *inter alia* to:

- act as the focal point for, and custodian of, corporate governance by arranging its relationship with management, shareholders and other stakeholders of the Company along sound corporate governance principles;
- appreciate that strategy, risk, performance and sustainability are inseparable and gives effect to this by:
  - contributing to and approving the strategy;
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - identifying key performance and risk areas;
  - ensuring that the strategy will result in sustainable outcomes; and
  - considering sustainability as a business opportunity that guides strategy formulation;
- provide effective leadership on an ethical foundation;
- ensure that the Group is and is seen to be a responsible corporate citizen by having regard not only to the financial aspects of the business of the Group but also to the impact that business operations have on the environment and the society within which it operates;
- ensure that the Group's ethics are managed effectively;
- ensure that the Group has an effective and independent Audit committee and Risk committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) governance;

- ensure that the Group complies with applicable laws and considers adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit;
- appreciate that stakeholders' perceptions affect the Group's reputation;
- ensure the integrity of the Group's integrated report;
- act in the best interests of the Company at all times by ensuring that individual directors:
  - exercise their fiduciary duties with the necessary care, skill and diligence;
  - adhere to legal standards of conduct;
  - practice objective judgement with regard to the affairs of the Group independently from management, but with sufficient information to enable a proper and objective assessment;
  - are permitted to take independent advice in connection with their duties following an agreed procedure;
  - immediately disclose real or perceived conflicts to the board and deal with them accordingly; and
  - deal in securities only in accordance with the policy adopted by the board;
- elect a chairman of the board that is a non-executive director; and
- appoint and evaluate the performance of the CEO.

## Director appointment and retirement policies

The board selects and appoints directors, including the CEO and executive directors. Prior to appointment, potential board appointees are subject to a fit and proper test as required by the Listings Requirements.

New appointments to the board are made through a process in which the Remuneration committee (acting as the Nomination committee) assists with the identifying of suitable candidates to be proposed to the board and to shareholders. Board appointments are made with a view to ensuring an appropriate blend of skills and experience is maintained. All board appointments are ratified by Invicta shareholders at the following AGM of the Company.

The non-executive directors are subject to retirement by rotation and re-election in accordance with the Company's memorandum of incorporation (MOI). At each AGM, at least one-third of the non-executive directors retire from office based on longest service. If eligible, available and recommended for re-election by the Remuneration committee (acting as the Nomination committee), their names are submitted for re-election at the AGM. This year Dr Christo Wiese, David Samuels, Lance Sherrell and Adv Jacob Wiese retire in terms of the MOI, and being eligible and available, are recommended for re-election. The aforementioned directors have considerable commercial experience and an excellent understanding of the Group's businesses.

## Invicta board gender diversity policy

Invicta supports the principles and aims of appropriate gender diversity at Invicta board level. To this end, the Invicta board adopted a board gender diversity policy during the 2017 financial year, and although no voluntary targets have been set as yet, the approach to gender diversity adopted by the board of Invicta is as detailed below:

The Company will aim to achieve an appropriate level of diversity, including where possible, diversity of race and gender at Invicta board level. Should a vacancy on the board arise, or should there be a requirement for an additional board appointment, preference will be given to appropriate candidates who meet the skills, expertise, experience and background required to fill such board position(s). The board will endeavour to ensure a mix of skills, diversity and experience on the board which will best serve the interests of the Company and its stakeholders.

# GOVERNANCE REPORT (continued)

Application of the policy in effecting new or replacement appointments to the board will be subject to the approval/ratification by the shareholders of the Company to such appointments at annual general meetings of the Company as required by the Companies Act (2008).

The Remuneration committee (which acts as the Nomination committee of the Company), is mandated to assist the board in managing the policy. The Remuneration committee will review the state of the board's gender representation on an ongoing basis and ensure that the policy is appropriately applied and make recommendations to the board regarding the appointment of suitable candidates. The Company will annually report to shareholders in its integrated report on how the board has considered and applied the policy in the nomination and appointment of directors to the board of the Company.

The policy will apply equally to any appointment of executive, non-executive and/or alternate directors to the board.

## Professional advice and access to information

The board charter requires that non-executive directors have unfettered access to management of the Company at any time, and all directors are entitled at the Company's expense, to seek independent professional advice on any matters pertaining to the Group, where they deem this to be necessary, and are obliged to seek such advice in matters where they lack sufficient expertise to make an informed decision. When seeking independent advice, the directors must inform the company secretary and if it is relevant to Invicta or the Group, the company secretary will disclose the information to the CEO and the board.

The Company and all its subsidiaries and divisions are compliant with the provisions of the Promotion of Access to Information Act (2002). The manual in terms of this legislation is available from the registered office of the Company and on the Company's website.

## Board evaluations

As required by King III, board effectiveness reviews are conducted on an annual basis with further reviews being conducted at appropriate intervals as and when required. Areas of improvement are noted and addressed on an ongoing basis.

## Remuneration and directors' fees

Details on the remuneration of executive and non-executive directors are provided on page 99 of the Report.

## Board meetings

The board meets at least four times a year with additional meetings held when necessary. The attendance at board meetings held during this period is set out below:

Dr Christo Wiese	4/4
David Samuels	3/4
Lance Sherrell	4/4
Adv Jacob Wiese	4/4
Rashid Wally	4/4
Ramani Naidoo	4/4
Arnold Goldstone	4/4
Charles Walters*	3/4
Craig Barnard	4/4
Tony Sinclair	4/4
Byron Nichles	4/4

\* Charles Walters resigned effective 31 January 2017. Neil Malherbe as the CEO of BSG attends board meetings by invitation.

Board papers are issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the Company and each of its operating subsidiaries, as well as covering material issues pertaining to the Group.

Non-executive directors also maintain regular contact with executive directors to ensure that they are kept abreast of material matters that may require their input and guidance.

## Changes to the board

- During the 2017 financial year, Byron Nichles resigned as CEO of the Engineering Solutions Group (ESG) effective 31 October 2016 and was appointed as a non-executive director of the Invicta board effective 1 November 2016.
- Lance Sherrell resigned as a member of the Audit committee effective 29 August 2016.
- Ramani Naidoo was appointed as a member of the Audit committee effective 2 September 2016.
- Charles Walters resigned as CEO of the Invicta Group effective 31 January 2017 and was replaced by Arnold Goldstone effective 1 February 2017.
- David Samuels resigned as chairman of the Social and Ethics committee effective 10 April 2017.
- Rashid Wally was appointed as chairman of the Social and Ethics committee effective 10 April 2017.

## Board sub-committees

To enable the board to properly discharge its duties and responsibilities, the board is assisted by an Audit committee, Risk committee, Remuneration committee (which also acts as the Nomination committee), Social and Ethics committee, IT committee and Executive committee. Non-executive directors play a critical role as board representatives on the various board committees and ensure that the Company's interests are served by impartial, objective and independent views that are separate from those of management. Additionally, the board continuously strives to comply with the requirements of King III insofar as the composition of its sub-committees are concerned.

Each committee has a charter to guide the members in performing their duties and the members of the committees have access to management, Group records and external professional advice if and when required. The chairperson of each committee, in line with the recommendations of King III, attends the AGM of the Company where possible.

## AUDIT COMMITTEE REPORT

See page 53.

## RISK COMMITTEE REPORT

See page 54.

## INTERNAL CONTROL

The directors have responsibility for the Group's systems of internal controls. These are designed to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Operational and financial responsibilities are delegated to chief executive officers, financial directors and executives of the principal operating divisions.

The Group's system of internal controls is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. Furthermore, because of changing internal and external factors, the effectiveness of an internal control system may vary over time and must be continually reviewed and adapted.

The system of internal controls is monitored throughout the Group by the Audit committee and Risk committee, the Group internal audit department, management and employees as an integrated approach. The board reports that:

- to the best of its knowledge and belief, no material breakdown of the Group's internal control system occurred during the period under review;
- it is satisfied with the effectiveness of the Group's internal controls and risk management;
- it has no reason to believe that the Group's ethics policies have been transgressed in any material respect; and
- to the best of its knowledge and belief, no material breaches have occurred during the period under review of compliance with any laws and regulations applicable to the Group.

## REMUNERATION COMMITTEE REPORT

During the year under review, the Remuneration committee was chaired by David Samuels (non-executive director), with the current members being Dr Christo Wiese and Mr Rashid Wally.

Arnold Goldstone (CEO) attends committee meetings *ex officio* by invitation and assists the committee in its deliberations, save when issues relating to his own compensation are discussed. No director is involved in the decision-making of his/her own remuneration.

The Remuneration committee meets at least annually and the attendance at meetings held was as follows:

David Samuels (chairman)	2/3
Dr Christo Wiese (member)	3/3
Rashid Wally (member)	3/3

### Role of the Remuneration committee and terms of reference

The Remuneration committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations. The committee is responsible for ensuring that the directors and executive management are appropriately remunerated. The committee is also responsible for the formulation of proposals of the fees paid to the non-executive directors for the board's consideration and shareholder approval.

The Remuneration committee is a committee of the board and is responsible for:

- making recommendations to the board on the general policy on executive remuneration, benefits, conditions of service and staff retention;
- determining the specific remuneration packages of executive directors and senior management of the Group including, but not limited to, basic salary, performance-based short- and long-term incentives, pensions and other benefits; and
- the design and operation of the Group's share incentive schemes.

The Company's auditors, Deloitte & Touche, have not provided advice to the committee. However, in their capacity as Group auditors, they perform normal audit procedures on the remuneration of directors.

## Remuneration policy and principles of executive remuneration

The Group's remuneration policy aims to attract and retain high-calibre executives and to motivate them to develop and implement the Group's business strategy in order to optimise long-term shareholder value creation. The policy conforms with King III and is based on the following principles:

- Total rewards are set at levels that are competitive within the relevant market.
- Incentive-based rewards are earned through the achievement of demanding performance conditions consistent with shareholder interests over the short, medium and long term.
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle.
- The design of long-term incentives is prudent and does not expose shareholders to unreasonable financial risk.

### Elements of executive remuneration

The four elements of executive remuneration consist of a base salary, benefits, an annual incentive and long-term incentives. The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term shareholder value creation. A further consideration has been the need to retain critical skills in the Group. The committee considers each element of remuneration relative to the market and takes into account the performance of the Group and the individual executive in determining both quantum and design.

The policy relating to each component of remuneration is summarised below:

#### Base salary

The base salary of the executives is subject to annual review. It is set to be competitive at the median quartile level, with reference to market practice in companies comparable in terms of size, market sector and business complexity. Group and Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries.

#### Benefits

Benefits for executives include membership of a retirement fund and a medical aid, to which contributions are made by the executives and the Group.

#### Short-term incentive

All executives are eligible to participate in a short-term incentive with payment levels based on either corporate or individual performance or both. Key performance indicators are set on an individual basis each year. The incentive plan is contractual but not pensionable. The committee retains the discretion to make positive adjustments to bonuses earned at the end of the year on an exceptional basis, taking into account both Group performance and the overall and specific contribution of individual executives to meeting the Group's objectives.

The committee annually reviews measures to ensure that the targets set are appropriate, given the economic context and the performance expectations for the Group.

Details of the executive directors' remuneration are detailed on pages 99 of the Report.

# GOVERNANCE REPORT (continued)

## Long-term incentive

Invicta long-term share incentive and bonus bank scheme

In order to attract and retain key staff, the Group requires appropriate long-term incentive schemes. Many of the Group's operations require key technical skills which are often difficult to replace. In trying to address the critical factor, the committee, in consultation with industry professionals, has designed a long-term bonus incentive scheme for key executives. In terms of the scheme, executives are rewarded on their performance. The bonus scheme will constantly be reviewed by the committee for its effectiveness and will be amended from time to time if necessary. Divisional senior executives and management are on a cash-based bonus bank system, which ensures they are rewarded for performance in those areas over which they have direct influence.

Long-term share incentive – Share incentive right scheme

The Group employed a long-term bonus equity-settled share incentive right scheme (LBSIR scheme) for key executives in 2006. In terms of the LBSIR scheme executives are granted a bonus share incentive right (the bonus right) calculated with reference to a specified number of shares at a price equal to the weighted average five-day closing market price on the date of grant. The bonus right quantum is determined with reference to the executive's short-term bonus achieved in that year. The bonus right vests after a period of one year, (subject to the achievement of the performance conditions set for the executive), and the bonus right becomes exercisable after a further two-year period, after which the executive has a further two-year period in which to take up the bonus right before it lapses. The bonus right is determined based on the difference between the grant price and the weighted average five-day closing share price on the exercise date. The bonus, as determined by the formula were settled in cash and treated as such in the current and prior year. The intention is for the scheme to be reintroduced as an equity settled scheme with specific exercise dates.

The bonus right expense has been calculated using a Black-Scholes valuation model and is expensed over the appropriate period from the grant date and is recorded in the share appreciation reserve. Refer to note 34 on page 99 of this Report.

Executive directors' interests in the LBSIR scheme are set out in note 34 on page 100 of this Report.

## Bonus bank scheme

In line with the principles stated above, the Remuneration committee has authorised the implementation of a bonus bank scheme at senior and middle-management level which entails management earning a performance-based bonus, which is effectively paid out over the subsequent three years.

A long-term loan scheme for executives on the board of Invicta

The purpose of the loan is to incentivise Invicta executives over the long-term by providing them with a mechanism to acquire a meaningful stake in Invicta, thereby aligning them with the interests of Invicta shareholders. The loans were granted in the 2012 financial year and are payable over seven years, bear interest at South African Revenue Services official interest rate and are secured by Invicta shares and other security at a ratio of 1.5:1.

## External appointments

Executive directors are not permitted to hold external directorships or office without the approval of the Invicta board. If such approval is granted, directors may retain the fees payable from such appointments.

## Directors' fees

Directors' payments for services as directors and other emoluments are set out in note 34 on page 99 of the Report. Members will be requested to consider an ordinary resolution approving these emoluments at the AGM.

## Non-executive directors' fees

The annual fees payable to non-executive directors of the Company are based on a fee for attendance per meeting of the board and, where applicable, per meeting of sub-committees. An additional fee is paid to the chairman of both the board and the Audit committee.

Non-executive directors do not participate in the Company's annual bonus plan, or in any of its share incentive schemes.

Details of the non-executive directors' fees are detailed on page 99.

## Directors' and executive management's service contracts

None of the directors are bound by service contracts. All executive directors, who are also directors of subsidiary companies, have an engagement letter which provides for a notice period of between one and three months to be given by either party.

The CEO of Invicta has no service contract.

The non-executive directors have a contract of employment with the Company which can be terminated on 30 days' notice by either the Company or the non-executive director.

## Approval

This Remuneration report has been approved by the board of Invicta.



**David Samuels**

*Chairman Remuneration committee*

## INFORMATION TECHNOLOGY COMMITTEE REPORT

An Information Technology ("IT") oversight committee was established by the Company for the Group on 20 February 2014. The committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations. The IT oversight committee reports via the Audit committee to the board. The purpose of the committee is to:

- appraise major information technology ("IT") related projects and technology architecture decisions;
- ensure that the Company's IT programs effectively support the Group's business objectives and strategies;
- monitor the overall performance of the Company's senior IT management team; and
- advise the Audit committee and board on strategic or material IT-related matters.

The financial director of the Company acted as the chief information officer ("CIO") to interact on strategic IT matters at the board and other board committee meetings. Effective 1 November 2016, the Company appointed Llewelyn Bricknell as Invicta Group CIO.

The committee is authorised by the board to investigate any activity within its charter, and is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.

## Compliance, transparency and accountability

The responsibility to facilitate compliance throughout the Company and the Group has been delegated by the board to the Audit committee, and in this regard the Audit committee must:

- ensure that the Company and the Group comply with applicable laws and consider adherence to relevant non-binding rules, codes and standards;
- ensure that the Company and the Group establish and maintain a compliance framework and process that is appropriate taking into account the laws, rules, codes and standards that are applicable in light of the compliance risk profile of the Company;
- ensure that the Company and the Group establish and implement a legal compliance policy;
- ensure that the Company and the Group establish and implement a compliance manual;
- identify, assess, advise on, monitor and report on the regulatory compliance risk of the Company and the Group, which will form part of the overall risk management framework of the Company;
- ensure that compliance monitoring and reporting be undertaken in a manner that is appropriate for the Company's circumstances; and
- ensure that a compliance culture is encouraged through leadership, establishing the appropriate structures, education and training, communication and measurement of key performance indicators relevant to compliance.

## SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics committee was established and constituted as a statutory committee of the Company on 30 April 2012, and also acts as the Social and Ethics committee of the Group in respect of its statutory duties in terms of section 72(4)(a) of the Companies Act (2008), and as a committee of the board in respect of all other duties assigned to it by the board.

The committee has adopted a charter/terms of reference which is reviewed annually, setting out its duties and obligations.

The purpose of this committee is to recognise the responsibility for the Company's actions and the encouragement of a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public. The ultimate objective of managing organisational integrity is to build an ethical corporate culture.

The committee's members are appointed by the board and consists of not less than three members, at least one of whom must be an independent non-executive director. Members may comprise non-directors such as senior management or persons with the relevant experience. The board appoints the chairman from the members of the committee and determines the period for which he/she shall hold office. In the absence of the chairman of the committee appointed by the board, the remaining members present shall elect one of their numbers present to chair the meeting. The board shall, from time to time, review and revise the composition of the committee, taking into account the need for an adequate combination of skills and knowledge.

Board members may attend committee meetings by invitation. Suitably qualified persons may also be co-opted onto the committee when necessary to render such specialist services as may be necessary to assist the committee in its deliberations on any particular matter, but shall have no voting rights.

The committee has the following functions:

- To provide guidance for the building and sustaining of an ethical corporate culture in the Company and the Group.
- To monitor the Company and Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to board charter matters relating to social and economic development, including the Company and the Group's standing in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption, the Employment Equity Act (1998), the Broad-Based Black Economic Empowerment Act (2003) and the Company's legal compliance framework as applicable from time to time.
- To promote good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed and record of sponsorship, donations and charitable giving.
- To care for the environment, health and public safety, including the impact of the Company and Group's activities and of its products or services.
- To promote consumer relationships, including the Company and Group's advertising, public relations and compliance with consumer protection laws.
- To monitor labour and employment, including the Company and Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions and the Company and Group's employment relationship and its contribution towards the educational development of its employees.
- To review any statements on ethical standards or requirements for the Company and Group including the procedures or review system implemented, to promote and enforce compliance.
- To review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company.
- Where requested, make recommendations on any material potential conflict of interest or questionable situations.
- Ensure that ethics-related policies are drafted and implemented.
- Reporting on and disclosing the Company and Group's ethics performance.
- To draw matters within its mandate to the attention of the board as the occasion requires.
- To report, through one of its members, to the shareholders at the Company's AGM on matters within its mandate.

The committee is chaired by Rashid Wally and the appointed members are Arnold Goldstone and Craig Barnard. (David Samuels resigned as a member of the committee on 10 April 2017).

## STAKEHOLDER COMMUNICATION

Members of the board meet on an *ad hoc* basis with institutional and other investors, investment analysts and members of the financial media. Discussions at such meetings are restricted to matters that are in the public domain in accordance with the Group's Information Policy on inside/price sensitive information.

Shareholders are informed, by means of press announcements and releases in the media and/or printed matter sent to such shareholders, and/or announcements on the JSE SENS system, of all relevant corporate matters and financial reporting as required in terms of prevailing legislation. In addition, such announcements are communicated via a broad range of channels in both the electronic and print media. The Group has also embarked on a more formal approach to providing feedback in respect of the year-end results with interviews scheduled for both radio and television after the relevant media and SENS announcements have been made.

The Company maintains a corporate website [www.invictaholdings.co.za](http://www.invictaholdings.co.za) containing financial and other information, including interim and annual results. The website has links to the websites of each major operating division of Invicta.

The Group continues to look at ways of allowing electronic shareholder participation with its transfer secretaries as provided for in the Companies Act (2008).

## GROUP COMPANY SECRETARY

All directors have unfettered access to the advice and services of the company secretary and to Company records, information, documents and premises. The company secretary minutes all board and committee meetings and maintains the registers required by statute. The company secretary, assists the board in fulfilling its functions and is empowered by the board to perform her duties. The company secretary, directly or indirectly:

- assists the chairman and CEO with induction of new directors;
- assists the board with director orientation, development and education;
- ensures that the Group complies with all legislation applicable/relevant to the Group;
- monitors the legal and regulatory environment and communicates new legislation and any changes to existing legislation relevant to the board and divisions; and
- provides the board with a central source of guidance and assistance.

During the year under review, and in compliance with paragraph 3.84(i) and (j) of the Listings Requirements, the board evaluated Ms Grace Chemaly, the company secretary for the period under review, and is satisfied that she is competent, suitably qualified and experienced.

Furthermore, since Ms Grace Chemaly is not a director, nor is she related to any of the directors, thereby negating a potential conflict of interest, it was agreed that she maintains an arm's length relationship with the board. The board undertakes a general evaluation of the company secretary performance on an annual basis in order to identify possible steps for improvement, which are communicated to her by the chairman.

## SHARE DEALING

### Share dealing and conflicts of interest

Directors and designated employees with access to financial results and/or price-sensitive information are prohibited from dealing in Invicta shares during closed or prohibited periods, and clearance and approval procedures and processes are in place throughout the Group.

Directors, senior management and all staff across the Group are required to separate their personal transactions from the Company's transactions. Annually, and thereafter at each board meeting, directors are required to disclose to the chairman any potential conflict of interest and any other directorships held by them. Directors who disclose a potential conflict of interest recuse themselves from discussion of the matter which may give rise to the conflict of interest.

### Corporate ethics

The Group is committed to achieving high standards of ethical behaviour. The ethics hotline is independently run by Deloitte Tip-Offs Anonymous. Deloitte Tip-Offs Anonymous has been certified by the External Whistle-Blowing Hotline Services Provider Standard E01.1.1. This hotline can be used by all stakeholders to report any suspected unethical behaviour. Calls are investigated by the internal audit division.

The board adopted a formal code of ethics during 2004 and as aforementioned, a Social and Ethics committee was established on 30 April 2012.

The key pillars of the code include adherence to the legal framework of the country and ensuring that the Group is not brought into disrepute, against the overriding background of transparency in all transactions.

### Gift policy

All gifts, free services and any other transactions with the Group's suppliers, customers or any third party which take place by virtue of an employee's position in or their relationship with the Group should be disclosed to and approved by their immediate superior. An electronic register is maintained and recorded by the respective divisional and Invicta Audit committee at each meeting. A similar policy applies to the giving of gifts by employees to customers and also applies to the receipt/provision of entertainment. Cash payments, irrespective of the amount involved, may not be accepted. Any offers of travel and accommodation to any employee, irrespective of value, should be approved by the respective divisional head/manager and should similarly comply with the requirements for acceptance of gifts. All employee expense claims are subject to both internal and external audit.

## SUBSIDIARIES

Invicta's major subsidiaries are listed on pages 88 and 89 of this Report.

## SPONSOR

In compliance with the Listings Requirements, Deloitte & Touche Sponsor Advisory Services Proprietary Limited acts as sponsor to Invicta.

# KING III COMPLIANCE CHECKLIST

As required by the Listings Requirements, the following table discloses the status of the Company's compliance with King III and reasons for non-compliance, if applicable:

King III index	Comply
<b>Ethical leadership and corporate citizenship</b>	
Effective leadership based on an effective ethical foundation	Yes
Responsible corporate citizen	Yes
Effective management of ethics	Yes
Assurance statement on ethics in the integrated report	Yes
<b>Board and directors</b>	
The board is the focal point for and custodian of corporate governance	Yes
Strategy, risk, performance and sustainability are inseparable	Yes
Directors act in the best interest of the Company	Yes
The Chairman of the board is an independent non-executive director	(1)
A framework for the delegation of authority has been established	Yes
The board comprises a balance of power, with a majority of non-executive directors who are independent	(2)
Directors are appointed through a formal process	Yes
Formal induction and ongoing training of directors is conducted	Yes
The board is assisted by a competent, suitably qualified and experienced company secretary	Yes
Annual performance evaluations of the board, its committees and individual members are undertaken	Yes
Appointment of well-structured committees	Yes
An agreed governance framework between the Group and its subsidiary boards is in place	Yes
Directors and executives are fairly and responsibly remunerated	Yes
Remuneration of directors and three most highly paid employees is disclosed	(3)
The Company's remuneration policy is approved by the shareholders	Yes
<b>Audit Committee</b>	
Effective and independent	Yes
Suitably skilled and experienced independent non-executive directors	Yes
Chaired by an independent non-executive director	Yes
Oversees integrated reporting	Yes
A combined assurance model is applied to improve efficiency in assurance activities	Yes
Satisfies itself of the expertise, resources and experience of the Company's and the Group's finance function	Yes
Oversees internal audit	Yes
Integral to the risk management process	Yes
Oversees the external audit process	Yes
Reports to the board and shareholders on how it has discharged its duties	Yes
<b>Governance of risk</b>	
The board is responsible for the governance of risk	Yes
The board determines the levels of risk tolerance	Yes
The Audit Committee and Risk Committee assist the board in carrying out its risk responsibilities	Yes
The board has delegated the process of managing of risk to management	Yes
The board ensures that risk assessments are performed on a continual basis	Yes
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Yes
The board ensures that management implements appropriate risk responses	Yes
The board receives assurance regarding the effectiveness of the risk management process	Yes
Sufficient risk disclosure to stakeholders	Yes

# KING III COMPLIANCE CHECKLIST (continued)

King III index	Comply
<b>Governance of information technology</b>	
The board is responsible for the governance of Information Technology (IT)	Yes
IT is aligned with the performance and sustainability objectives of the Company	Yes
Management is responsible for the implementation of an IT governance framework	Yes
The board monitors and evaluates significant IT investments and expenditure	Yes
IT is an integral part of the Company's risk management	Yes
IT assets are managed effectively	Yes
The Audit Committee assists the board in carrying out its IT responsibilities	Yes
<b>Compliance with laws, rules, codes and standards</b>	
The board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Yes
The board and each individual director and senior manager has a working understanding of the effect of laws, rules, codes and standards applicable to the Company and its business	Yes
Compliance risk forms an integral part of the Company's risk management process	Yes
The implementation of an effective compliance framework and process has been delegated to management	Yes
<b>Internal audit</b>	
The board ensures that there is an effective risk-based internal audit	Yes
Internal audit follows a risk-based approach to its plan	Yes
Internal audit provides a written assessment of the effectiveness of the Company's system of internal controls and risk management	Yes
The Audit Committee is responsible for overseeing internal audit	Yes
Internal audit should be strategically positioned to achieve its directives	Yes
<b>Governing stakeholder relationships</b>	
The board appreciates that stakeholders' perceptions affect the Company's reputation	Yes
Management proactively deals with stakeholder relationships	Yes
There is an appropriate balance between its various stakeholder groupings	Yes
Equitable treatment of shareholders	Yes
Disputes are resolved effectively, efficiently and as expeditiously as possible	Yes
<b>Integrated reporting and disclosure</b>	
The board ensures the integrity of the Company's integrated report	Yes
Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Yes
Sustainability reporting and disclosure should be independently assured	(4)

The board is of the opinion that the Group has, in all material respects and where relevant, complied with King III during the year under review, and wishes to highlight the following:

1. Dr Christo Wiese, who is a non-executive director, is also the chairman of the board. It is the view of the board that the non-independence of the chairman is a positive factor in ensuring that the decisions taken by the board are guided by a chairman whose perspective is aligned with long-term interests of all shareholders. Mr David Samuels maintains his role as the Company's lead independent director. In addition, to ensure good governance, and as recommended by King III, the chairmanship of all the board committees is held by Mr David Samuels, excluding only the Social and Ethics committee which is now chaired by Rashid Wally.
2. With the total board consisting of 10 members, seven being non-executive directors, the majority of the board members are non-executive directors with three members being independent. The majority of the non-executive directors are also shareholders, and from a Group point of view, is considered beneficial to all stakeholders, as it aligns their interests with that of all other shareholders and stakeholders.
3. King III requires that the salaries of the three most highly paid employees, who are not executive directors, should be disclosed. Due to their specialised skills, the highly competitive South African equipment and engineering environment in which the Group operates and the employees' value to the Company, the board does not wish to disclose this information for each of the individuals but has disclosed the total salaries of the employees concerned on page 105.
4. King III requires that the Company's sustainability report be audited by an independent external professional. The entire integrated report is reviewed by the Invicta Audit committee and recommended to the board for approval. The board has not found it necessary to obtain independent assurance as it is comfortable with the accuracy of the sustainability reporting. Environmental issues are not material in the Group or its operations, accordingly no empirical data is considered necessary to be provided at this stage.