

# Corporate Governance Report



**Datacentrix Holdings Limited** board of directors and group management is committed to the highest level of governance and strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others. In doing so, they subscribe to the principles contained in the Code of Corporate Practices and Conduct recommended by the King II Report on Corporate Governance for South Africa.

**“The simple decision making structure, the independence, and the character of the individual board members provide for open and transparent governance.”**

Our approach to governance is predicated on the belief that there is a link between high quality governance and the creation of shareholder value. Our expectations of employees and those to whom we contract business are set out in our Code of Conduct Policy.

The primary role of Datacentrix' board of directors is to oversee how management serves the interests of shareowners and other stakeholders. To do this, Datacentrix' directors have adopted corporate governance principles aimed at ensuring that the board is independent and fully informed of the key risks and strategic issues facing Datacentrix.

This report outlines our system of governance. It is our view that governance is not just a matter for the board; a culture of good governance must be fostered throughout the organisation.

## Board Structure and Composition

The Datacentrix board as at the date of this annual report consists of five non-executive directors, four of which are independent and two executive directors.

The non-executive directors ensure impartial and objective viewpoints in decision making processes and standards of conduct. The non-executives have continued to demonstrate the characteristics of independence, such as objectively challenging management and taking part in rigorous debates, while at the same time possessing an outstanding knowledge of the business and affairs.

The simple decision making structure, the independence, and the character of the individual board members provide for open and transparent governance. In addition to the board, key operating executives responsible for significant operations attend board meetings per invitation.

The chief executive officer (CEO) manages the group and implements the strategy and policies adopted by the board. The chairman and the chairpersons of the board committees communicate regularly with the CEO, chief financial officer (CFO) and other executive members.

The roles of the chairman and that of the CEO vest in two leaders. Gary Morolo is the non-executive chairman of the group and Ahmed Mahomed is the new CEO as of 1 March 2008. Ahmed's considerable experience in the IT sector and his strategic capabilities will assist him in performing his new role.

Gerhard Uys retired on 29 February 2008, after co-founding and running the company for the last 15 years. His tenure has been successful and profitable, and he has left behind a legacy for the rest of management to run with.

Imogen Mkhize, a non-executive director also resigned on 29 February 2008, after serving on the Datacentrix board for the last 6 years. She served on the Human Resources and Remuneration and Audit and Risk Committees. We thank her for her invaluable contribution.

Dudu Nyamane joined the Datacentrix board on 14 April 2008 as an independent, non-executive director. She will also serve as a member of the Human Resources and Remuneration Committee. We extend a warm welcome to her.

The composition of the board with abridged curriculum vitae of each director is listed on page 6 and 7 of the annual report.

## The Board Charter

The board operates under an approved charter, which regulates the way business is conducted by the board in line with the principles of sound corporate governance. The board charter model is based on the principles as recommended by King II, which incorporates the powers of the board, providing a clear division of responsibilities and accountability of the board members, collectively and individually, to ensure a balance of power and authority. The charter of the board and that of its committees is reviewed periodically.

## Roles and Responsibilities

The board's role is to represent the shareholders and is accountable to them for creating and delivering value through the effective governance of the business. This is achieved by monitoring business plans, key performance indicators, including non-financial criteria and annual budgets. The board reviews the company's internal controls and risk management policies and approves its governance structure and code of ethics.

In addition, the board evaluates and monitors the performance of the group as a whole. This includes:

- engaging at board meetings with the CEO, the other executive directors and members of the Executive Committee as appropriate, on the financial and operating performance of Datacentrix and external issues material to the group's prospects;
- evaluating progress toward the achievement of the group's financial and business objectives and annual plans; and
- monitoring, through reports received directly or from various committees, the significant risks facing the group.

The board also monitors the performance of the group through its committees. The CEO is required to report regularly in a spirit of openness and trust on the progress

being made by the business. The board and its committees determine the information required from the CEO and any employee or external party, including the auditor. Open dialogue between individual members of the board and the CEO and other employees is encouraged to enable directors to gain a better understanding of the business.

The board has given the CEO broad authority to operate the business of the group, and the CEO is accountable for, and reports to the board on the performance of the business.

The matters that the board has specifically reserved for its decision are:

- the succession planning and appointment of the CEO;
- approval of the appointments of direct reports to the CEO;
- approval of the overall strategy and annual budgets of the business; and
- determination of matters in accordance with the approvals framework.

The general powers of the directors are conferred in the group's Articles of Association. The directors recognise the importance of conducting the affairs of the group with integrity and in accordance with acceptable corporate practices.

The board is ultimately responsible for ensuring that the business continues to grow and that it thrives.

Subject to specific fundamental, strategic and formal matters reserved for its decision, the board may delegate certain responsibilities to a number of standing committees, which operate within defined terms of reference laid down by the board, as referred to below.

The board has Executive, Audit and Risk, and Human Resources and Remuneration committees to assist in executing its responsibilities. Each committee acts within the terms of reference under which certain functions of the board are assigned with defined purposes, membership requirements, duties and reporting procedures.

The board meets regularly, retains full and effective control over all the companies in the group and monitors executive management in implementing board plans and strategies. Meetings are held six times per annum and additional special meetings are held at interim and year-end to review the group's financial results.

Management has a high level of interaction with board members beyond scheduled board meetings.

**“The board meets regularly, retains full and effective control over all the companies in the group and monitors executive management in implementing board plans and strategies.”**

# Corporate Governance Report (continued)

## Meetings of the Holdings Board:

Name	24 May 07	25 July 07	1 Oct 07	22 Nov 07	31 Jan 08	20 Mar 08	14 Apr 08
Gary Morolo* (Chairman)	✓	✓	✓	✓	✓	✓	✓
Ahmed Mahomed	✓	✓	✓	✓	✓	✓	✓
Alwyn Martin*	✓	✓	✓	✓	✓	✓	✓
Elizabeth Naidoo	✓	✓	✓	✓	✓	✓	✓
Gerhard Uys	✓	✓	✓	✓	✓	Retired	-
Imogen Mkhize*	✓	✓	✓	X	✓	Resigned	-
Israel Skosana*	✓	✓	✓	✓	✓	X	✓
Joan Joffe*	✓	✓	X	✓	✓	✓	✓
Stewart Barker	✓	✓	Resigned	-	-	-	-

\* Non-Executive Director \*Independent, Non-Executive Director

### Executive Committee

The Executive Committee comprises seven executives (including two directors), under the chairmanship of Ahmed Mahomed, CEO. The Executive Committee is responsible for assisting and advising the CEO in implementing the strategies and policies determined by the board, managing the business and affairs of the group, monitoring the performance of the group and establishing best management practices. The committee meets formally each month and informally on an ad hoc basis.

The Executive Committee is actively involved in performing the following functions:

- formulating group strategies and monitoring their implementation according to the board's directives;
- monitoring the performance of the group and the group's system of internal control;
- assisting the CEO and the CFO in preparing the annual budget for review and approval by the board;
- compiling and presenting non-financial information to the board;
- succession management and the planning and development of management;
- risk management; and
- identifying applicable codes of best business practice and ensuring respective compliance.

The Executive Committee conducts the day-to-day running of the group and co-ordinates and monitors the use of all group resources used to achieve Datacentrix' overall business goals.

### Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the board in monitoring the decisions and actions of the CEO and the group and to gain assurance that progress is being made towards the objectives within the CEO's limits. The Audit and Risk Committee undertakes this by overseeing:

- the integrity of the financial statements;
- the appointment, remuneration, qualifications, independence and performance of the external auditor and the integrity of the audit process as a whole;
- the effectiveness of the system of internal controls and risk management;
- compliance with applicable legal and regulatory requirements; and
- compliance by management with constraints imposed by the board.

The Audit and Risk Committee operates under the chairmanship of Alwyn Martin, an independent, non-executive director and includes one other independent non-

## Meetings of the Executive Committee:

Name	17 Mar 07	12 Apr 07	17 May 07	21 Jun 07	19 Jul 07	16 Aug 07	20 Sep 07	23 Oct 07	15 Nov 07	13 Dec 07	17 Jan 08	14 Feb 08	12 Mar 08
Gerhard Uys (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired
Ahmed Mahomed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Charl Joubert	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Elizabeth Naidoo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Johann Coetzee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Juane Peacock	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kelebone Tekateka	-	-	-	-	-	-	Maiden	✓	✓	✓	✓	✓	✓
Stewart Barker	✓	✓	✓	✓	✓	✓	Resigned	-	-	-	-	-	-
Vernon Tutton	-	-	-	-	-	-	Maiden	✓	✓	✓	✓	✓	✓

## Meetings of the Audit and Risk Committee:

Name	27 Sep 07	20 Nov 07	8 Apr 08
Alwyn Martin* (Chairman)	✓	✓	✓
Imogen Mkhize*	✓	✓	Resigned
Israel Skosana*	✓	X	✓
Ahmed Mahomed (invitee)	-	-	Maiden
Elizabeth Naidoo (invitee)	✓	✓	✓
Gerhard Uys (invitee)	✓	✓	Retired

\*Independent, Non-Executive Director

executive member. The external auditors have unrestricted access to this committee. Meetings are held at least three times a year and are attended by the external auditors and, on invitation, members of executive management, including those involved in risk management and control and finance.

The directors believe that there is an adequate and effective system of internal control in place to mitigate the significant risks faced by the group to an acceptable level. The committee operates within defined terms of reference as set out in its charter, and authority granted to it by the board. The committee is satisfied that it has met its responsibilities for the year with respect to its terms of reference.

### Human Resources and Remuneration Committee

This committee comprises three independent, non-executive directors. No executive director is a member of the committee. The committee is chaired by Joan Joffe.

The Human Resources and Remuneration Committee is responsible for the remuneration strategy of the group, the approval of mandates for incentive schemes within the group and the determination of the remuneration of executive committee members, relative to local and international industry benchmarks.

It also makes recommendations to the board regarding the structure and policy on executive, non-executive and senior management remuneration and the appointment of new directors to the board.

The role of the committee is to assist the board in its oversight of:

- the remuneration policy and its specific application to the CEO, the executive directors and the CEO's direct reports, and its general application to all employees;
- the adoption of annual and longer-term incentive plans;
- the determination of levels of reward for the CEO and approval of reward to the CEO's direct reports;
- the annual evaluation of the performance of the CEO, by giving guidance to the chairman;

- the communication to shareholders on remuneration policy and the committee's work on behalf of the board; and
- compliance with applicable legal and regulatory requirements associated with remuneration matters.

The board applies the principles of good corporate governance relating to directors' remuneration. The company strives to strike a balance between the need to protect shareholders' interests and to provide the appropriate incentives to management and staff to ensure that sustainable value is being developed and maintained.

The group's primary executive remuneration objective is to reward executive directors to ensure that their interests, as far as possible, commensurate with the interests of shareholders. In line with the group's remuneration philosophy, remuneration is reviewed annually by the Human Resources and Remuneration Committee after evaluating each executive director's performance, including that of the group CEO.

In addition, the remuneration packages are benchmarked individually taking into account local, regional and national responsibilities. Details of the remuneration of the directors and information on share options are set out in note 3 of the financial statements.



# Corporate Governance Report (continued)

Fees for non-executive directors are recommended to the board by the Human Resources and Remuneration Committee and reviewed annually with the assistance of external service providers. The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new acts, regulations and corporate governance guidelines.

Non-executive directors receive an annual fixed fee. In addition, a fee is paid for attending and contributing to board and committee meetings. Datacentrix pays for all travelling expenses for board meetings where required.

## Meetings of the Human Resources and Remuneration Committee:

Name	25 Jul 07	20 Nov 07	31 Jan 08	20 Mar 08
Joan Joffe* (Chairman)	✓	✓	✓	✓
Imogen Mkhize*	✓	✓	✓	Resigned
Israel Skosana*	Maiden	✓	✓	✗
Ahmed Mahomed (invitee)	-	-	-	Maiden
Elizabeth Naidoo (invitee)	✓	✓	✓	✓
Gerhard Uys (invitee)	✓	✓	✓	Retired

\*Independent, Non-Executive Director

## Datacentrix Holdings Share Trust

The two trustees, Joan Joffe and Israel Skosana, both independent, non-executive directors, manage the Datacentrix Holdings Share Trust. The trustees are responsible for the financial management of the trust and ensure adherence to the rules of the Share Trust Deed.

## Insider Trading

Trading in the company's shares and any cession of options over such shares is conducted on completion of an application form. Authorisation is given in writing by the chairman of the board and the CEO as appropriate. The written authority is kept by the company secretary with the record of the particular transaction.

The group operates a closed period prior to the publication of its year-end and interim results. During this time, the group's directors, officers and employees are restricted from dealing, whether directly or indirectly, in the company's shares on the basis of privileged, price-sensitive information before it has been publicly announced to the market. Additional closed periods can be enforced as required in terms of any corporate activity.

## Company Secretary

The company secretary is responsible to the board and is available to individual directors in respect of board

procedures. The company secretary is Mavis Thomani, who was appointed in October 2007. She is a chartered accountant and joined the group in 2005.

The company secretary is responsible for the duties set out in Section 268G of the Companies Act. The certificate required to be signed in terms of subsection (d) of the Act appears on page 18.

## Sponsor

The company has appointed Barnard Jacobs Mellet (Proprietary) Limited (BJM) as its sponsor. BJM's services include advising the board on the interpretation of and compliance with the Listing Requirements of the JSE Limited (JSE) and reviewing all notices required in terms of its statutes and the JSE rules and regulations.

## External Audit

The board appointed Deloitte & Touche to perform an independent and objective audit on the group's financial statements. These financial statements are prepared in terms of International Financial Reporting Standards (IFRS). Interim reports to shareholders are not audited.

## Financial and Internal Controls

The directors are responsible for the systems of internal control. The internal control framework has been in operation for the whole of the year under review and continues to operate up to the date of approval of this report.

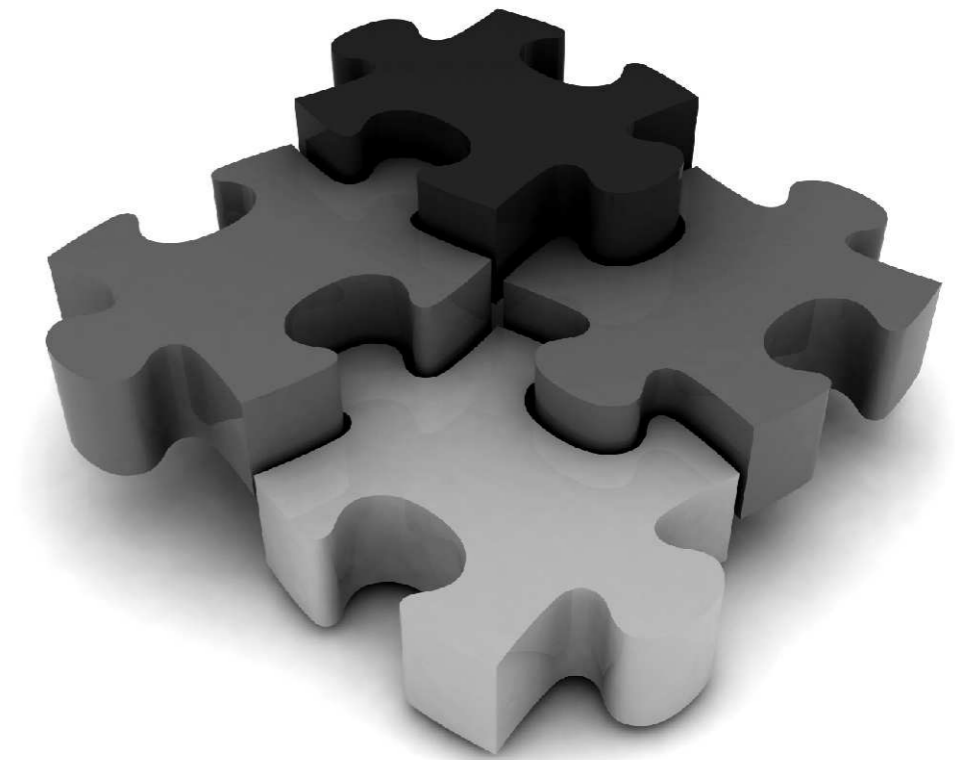
The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss while complying with applicable laws and regulations.

The board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the group, including financial, operational and compliance controls and risk management. It is the responsibility of management, to implement board policies on risk and control.

The group also attaches importance to clear principles and procedures designed to achieve appropriate accountability and control. There are various policies, which mandate that business units establish processes for managing and monitoring risks significant to their businesses and the group.

## Internal Audit

There is no internal audit department in place. However, comprehensive internal controls have been instituted to assist management and the directors in fulfilling their



responsibility for the preparation of the annual financial statements, safeguarding of assets and providing answers on all transactions. Transactions are executed and recorded in terms of the group's policies and procedures.

## Corporate Social Responsibility

Datacentrix believes in not only achieving its financial and economic goals, but also using its influence to help the society in which it operates. Some of the initiatives include:

- A Social Responsibility Committee ensures Datacentrix' participation in various projects and activities to improve the lives of disadvantaged groups; and
- the group has established a bursary fund for students wishing to study in the IT field. So far the bursary fund project has been successful and some of the students who have been sponsored are now employed by Datacentrix.

## Social Transformation

Datacentrix has clearly demonstrated its commitment to transformation of the workplace. This can be seen in the composition of the board as well as in the overall statistics of the employees of the group.

Equal employment opportunities are provided to members of all communities and the group is delivering in terms of the employment equity workforce plans. The group has employment equity plans, which it believes are appropriate to the business and the market in which it trades. They are

designed to attract, motivate and retain quality staff at all levels.

## Code of Conduct

Datacentrix is committed to excellence, integrity, professionalism and the growth and development of all its operations. People continue to be the group's most important resource. They are expected to share in the group's values, which are core to its strategy and contribute to a broader vision for the group - to become the IT partner of choice for enterprise South Africa.

A formal code of ethics has been approved and adopted by the board and is available to all its employees via the Intranet. The Datacentrix Code of Ethics sets guidelines to lead employees towards acting in a manner that will earn the group the reputation of being:

- open, frank and timeouts in all dealings and disclosures;
- non-political;
- beyond reproach in the quality of its products and services;
- proud of its standing as regards integrity and credibility;
- consistent in honouring its legal and moral obligations; and
- aware of the need to foster loyalty and long enduring relationships.

**"Datacentrix is committed to excellence, integrity, professionalism and the growth and development of all its operations."**