

Corporate Governance Report



King III

The Datacentrix group remains committed to compliance with the regulatory requirements of sound corporate governance principles. The group endorses the application of the principles recommended in the King III Report, and has been effectively implementing and reporting on a spectrum of governance principles, underpinned by the values of responsibility, accountability, fairness and transparency.

Statement of Compliance

The board has satisfied itself on the extent of the group's compliance with King III and with the Listings Requirements of the JSE Limited, which is dealt with under appropriate sections throughout this report.

The group is pleased to report that there have been no material instances of non-compliance during the year under review. Whilst the board is satisfied with its level of compliance with applicable governance and regulatory requirements, it recognises that its practices can always be improved, and accordingly the board has and will continuously review the group's governance framework against governance best practices.

Structure, Governance and Operation of the Board of Directors

The company's board consists of the chairman, five non-executive directors, all of whom are independent, and two executive directors. Directors' abridged curriculum vitae are provided on pages 10 and 11.

The board remains the focal point of the company's corporate governance system and is ultimately accountable and responsible for the key governance processes and the sustainable growth, performance and affairs of the company.

Board Charter

The board charter details and governs the manner in which the business is to be conducted by the board in accordance with the principles of sound corporate governance. The board charter is reviewed by the board on an annual basis and was revised in the year under review to ensure it

incorporates King III principles adopted by the board.

The charter regulates and deals with, inter alia:

- Board leadership, and defines the separate responsibilities of the chairman and the chief executive and the role of the lead independent director;
- Procedures, pre-requisites and competencies for membership, size and composition of the board, period of office, reward, induction and succession planning;
- The role and responsibilities of the board, which includes the adoption of strategic plans, the monitoring of management's implementation of board plans and strategies, the delegation of powers and duties to management, the determination of policy processes to ensure the integrity of management, internal controls and information technology (IT) governance;
- Board governance processes, including board procedures and matters requiring annual and regular review;
- Board committees, including delegation of authority, but not responsibility, and the requirements for transparency and full disclosure by the committees;
- Matters specifically reserved for the board of a financial, administrative and manpower nature;
- Risk management;
- Procedures for board meetings, frequency, quorum, agendas, board papers, conflicts of interest and minutes;
- Share dealings;
- Board, committee and individual evaluations and performance; and
- The role and responsibility of the company secretary.

Corporate Governance Report (continued)

Board Charter (continued)

The board charter stipulates that the operation of the board and the executive responsibility for the running of the company's business should be two key and separate tasks and that there should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision making or can dominate the board's decision taking.

Board Chairman

The board is chaired by Gary Morolo, a non-executive director. The board chairman is not considered to be independent, as he is a shareholder and director of Aka Capital Limited, which is a material shareholder of the company. Though the board chairman cannot be classified as independent in terms of the governance criteria, the board is of the view that the board chairman brings valuable expertise, experience and skill to the board and exercises independent judgement in relation to board matters.

The chairman of the board is responsible, inter alia, for ensuring the integrity and effectiveness of the board's governance processes, and in terms of the company's Articles of Association, is subject to annual election. The chairman is also responsible for leadership, promoting the highest standards of governance and effectiveness of the board. The CEO is responsible for the leadership and operational management of the group within the strategy agreed upon with the board. The CEO ensures that there are appropriate management structures to effectively implement the group's strategy and business plans.

Lead Independent Director (LID)

The board charter requires the appointment of a LID in the event that the board chairman does not meet the criteria for independence in terms of the relevant governance criteria. Accordingly, Joan Joffe was appointed as the LID with effect from 1 March 2010. The LID provides leadership assistance at any board, committee or shareholder meeting or in consultations with other directors or executives in circumstances where the board chairman is conflicted. The LID also leads and introduces discussions at board and committee meetings regarding the performance and evaluation of the

board chairman. The LID is subject to annual election by the board.

Board Composition

Datacentrix has a unitary board structure comprising a mix of executive and non-executive directors. The majority of directors are independent, non-executive directors and the board presently comprises of two executive and six non-executive directors, of whom five are considered independent in terms of the criteria contained in the governance requirements. In line with the King III recommendation, both the Chief Executive Officer and Chief Financial Officer are directors of the company.

The composition of the board remains under constant review, not only to maintain required balance in terms of independence of directors, but to ensure the optimum mix of skills and experience as well as demographic profile. The non-executive directors have the necessary skills, qualifications and experience, as is evidenced from their curriculum vitae (CV), to provide judgement independent of management on material board issues. View the composition of the board and their abridged CVs on page 10 and 11 of this report.

Chief Executive Officer

Ahmed Mahomed was appointed as the chief executive officer (CEO) on 1 March 2008. The board's governance and management functions are linked through the CEO, who is tasked with the running of the business and the implementation of the policies and strategies adopted by the board. All board authority conferred on management is delegated through the CEO and the accountability of management is considered to be the authority and the accountability of the CEO. Appropriate and uniform controls and processes are in place within the company and the group and are communicated to management to ensure the monitoring of the application of levels of authority throughout the group particularly in the areas of capital expenditure, contracts, procurement and human resources.

Board authority is delegated by way of an approvals framework. Levels of authority and materiality have been established and are reviewed annually by the board.

Roles and Responsibilities

The board is responsible for determining strategy and the overall conduct of the business. The board has the responsibility for the performance of the group and is required to exercise objective judgement, independent from management on corporate matters.

A corporate governance framework defines the roles and responsibilities of the constituent elements of the group's management structure. This enables the board to plan, execute, control and monitor the group's activities in accordance with strategic objectives.

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

- Approval of the group's strategy and annual budget;
- Review of the group's performance;
- Monitoring of and reviewing the effectiveness of the group's internal controls and risk management system;
- Appointment, removal and remuneration of executive directors and the company secretary;
- Determination of the terms of reference of board committees; and
- Approval of major capital expenditure or disposals, material contracts, material acquisitions and developments.

The general powers of the directors are conferred in the company's Articles of Association. 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 at least eight scheduled meetings annually. A formal performance evaluation of the board and committees is conducted annually by means of a series of self evaluation questionnaires, with the aim of evaluating and improving the effectiveness of the board, its members and committees.

Access to Company Information and Confidentiality

Procedures are in place, through the board chairman and the company secretary, enabling the directors to have access, at reasonable times, to all relevant company information and to senior management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

During the 2011 financial year, none of the company's directors were materially interested in any proposed transaction or company that the group does business with.

The board delegates specific responsibility to three committees, namely the Audit Committee, Risk Committee, and the Human Resources and Remuneration Committee. The terms of reference, and composition of the committees are determined and approved by the board and have been adopted by all the committees. Terms of reference are reviewed by the board on an annual basis with the most recent review having been conducted in 2011 in order to incorporate the relevant provisions advocated by King III.



Corporate Governance Report (continued)

Meetings of the Board of Directors:

Name	21 May '10	21 Jul '10	21 Sep '10	4 Oct '10	30 Nov '10	19 Jan '11	23 Mar '11	18 Apr '11
Gary Morolo (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Mahomed	✓	✓	✓	✓	✓	✓	✓	✓
Alwyn Martin*	✓	✓	✓	✓	✓	✓	✓	✓
Elizabeth Naidoo	✓	✓	✓	✓	X	✓	✓	✓
Dudu Nyamane*	✓	✓	✓	✓	✓	✓	✓	✓
Joan Joffe*	✓	✓	✓	✓	✓	✓	✓	✓
Thenjiwe Chikane*	✓	✓	✓	X	✓	✓	✓	✓
Troy Dyer*	-	-	-	-	-	-	Appointed	✓

* independent, non-executive director

Group Executive Committee

The Group Executive Committee comprises eight executives (including two directors), under the chairmanship of Ahmed Mahomed, CEO. The Executive Committee meets monthly and is responsible for the day-to-day running of the business and the execution of the group's strategy.

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 financial director 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;
- Designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company; and
- Ensuring compliance to all relevant statutory and regulatory requirements, including applicable codes of best business practice as identified.

Meetings of the Executive Committee:

Name	16 Apr '10	14 May '10	18 Jun '10	16 Jul '10	13 Aug '10	17 Sep '10	15 Oct '10	12 Nov '10	10 Dec '10	14 Jan '11	18 Feb '11	18 Mar '11	14 Apr '11
Ahmed Mahomed (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Charl Joubert	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Elizabeth Naidoo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Johann Coetzee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Juane Peacock	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kenny Nkosi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rainer Jeske	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vernon Tutton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Audit Committee

The Audit Committee operates under the chairmanship of Alwyn Martin, an independent, non-executive director and includes three other independent, non-executive members. The chairman of the committee reports on committee proceedings at the next board meeting.

The Audit Committee has four scheduled meetings annually. Meetings are attended by the external and internal auditors and, on invitation, members of executive management, including those involved in risk management and finance.

The composition of the committee complies with the requirements of the Companies Act and consists only of independent, non-executive directors who are financially literate, with the necessary expertise to discharge their responsibilities.

The chairman of the board on occasion attends the meetings. The internal and external auditors have unlimited access to the chairman of the Audit Committee.

The Audit Committee is primarily responsible for overseeing the company's reporting process on behalf of the board, and assists the board in discharging its fiduciary duties relating to the safeguarding of assets, the operation of adequate systems, maintenance of control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, accounting standards and listing requirements. The committee also performs all the functions required to be performed by an audit committee including as required by section 270A of the Companies Act, 1973, as amended and under Section 270A(1) on behalf of all subsidiaries.

In addition, as advocated by King III, the Audit Committee has overseen the integrated reporting for 2011, and has recommended the approval of the annual report by the board.

The specific responsibilities of the committee include inter alia the following:

- Overseeing the integrity of the financial statements;
- Overseeing the appointment, fee, qualifications, independence and performance of the



external auditor and the integrity of the audit process as a whole;

- Approving the audit fees for internal audit;
- Specifying the nature and extent of non-audit services;
- Pre-approving contracts for non-audit services;
- Overview of the internal audit function;
- Dealing with concerns or complaints relating to the accounting policies, the internal audit, the audit and content of the annual financial statements and the internal financial controls;
- Verifying the effectiveness of financial risk management (in consultation with the risk committee), controls and governance processes as well as the competence of the financial director;
- Reviewing the integrated report;
- Ensuring compliance with applicable legal and regulatory requirements; and
- Ensuring compliance by management with constraints imposed by the board.

The Audit Committee has adopted written terms of reference approved by the board and has satisfied its responsibilities in compliance therewith in all material respects during the financial year. Its terms of reference were reviewed and amended by the board during the year to ensure compliance with regulatory changes and best practice and to incorporate the relevant provisions of King III as approved by the board.

The committee evaluates its performance and effectiveness as part of the formal annual board evaluation process. Self evaluation questionnaires are used for this purpose. Based on the results, the committee and board believe that the committee functions effectively and complies with its terms of reference.

Corporate Governance Report (continued)

Internal Audit

The internal audit function is being fulfilled by KPMG who were appointed at the beginning of the financial year. The internal audit function is designed to serve and support management and the board of directors through independent evaluations and examinations of the group's activities and resultant business risks. The purpose, authority and responsibility of the internal audit function are formally defined in an internal audit charter, which is reviewed by the Audit Committee and approved by the board. This charter is reviewed on an annual basis and revised as necessary.

The internal audit function is designed to respond to management's needs while maintaining an appropriate degree of independence to render impartial and unbiased judgements in performing its services. The scope of the internal audit function includes performing independent evaluations of the adequacy and effectiveness of group companies' controls, financial reporting mechanisms and records, information systems and operations, reporting on the adequacy of these controls and providing additional assurance regarding the safeguarding of assets and financial information. Internal audit is also responsible for monitoring and evaluating operating procedures and processes. Risk assessment is co-ordinated with the board's assessment of risk through interaction between internal audit, the audit and risk committees which also minimises duplication of effort. Internal audit reports at all audit and risk committee meetings respectively and has unrestricted access to the chairmen of the company and the audit and risk committees. The appointment or dismissal of the internal auditor is with the concurrence of the Audit Committee.

In the year under review, the internal auditors worked of an audit plan comprising specific identified management risks. Their reviews were able to provide feedback as to weakness in controls and ensure proper controls were immediately implemented to prevent any further deficiencies.

The board of directors is responsible for the group's systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The controls throughout the group concentrate on critical risk areas. All controls relating to the critical risk areas are closely monitored by the directors and subjected to internal audit reviews. Continual review and reporting structures enhance the control environments. Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the group has occurred during the year.

The committee has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director/chief financial officer, Elizabeth Naidoo, and the finance function. A brief curriculum vitae of the financial director, Elizabeth Naidoo, appears on page 10 of the annual report.

The chairman of the Audit Committee is required to attend the annual general meeting to deal with enquiries relative to the committee's mandate.

Meetings of the Audit Committee:

Name	7 Jul '10	29 Sep '10	25 Nov '10	18 Jan '11	13 Apr '11
Alwyn Martin* (Chairman)	✓	✓	✓	✓	✓
Joan Joffe*	✓	✓	✓	✓	Resigned
Thenjiwe Chikane*	✓	✓	✓	✓	✓
Troy Dyer*	–	–	–	–	Appointed
Ahmed Mahomed (invitee)	✓	✓	✓	✓	✓
Elizabeth Naidoo (invitee)	✓	✓	✓	✓	✓

*independent, non-executive director

Risk Committee

The Risk Committee operates under the chairmanship of Thenjiwe Chikane, an independent, non-executive director and includes two other independent, non-executive members. The chairman of the Audit Committee is an ex officio member of this committee. The members of the committee as a whole have sufficient qualifications and experience to fulfil their duties. The chairman of the committee reports on committee proceedings at the next board meeting.

The Risk Committee has four scheduled meetings annually. Meetings are attended by the CEO and financial director (who acted as the Chief Risk Officer for the period under review) and on invitation, members of executive management, including those involved in risk management, control and finance.

The committee assists the board in the discharge of its duties relating to risk management. The board is responsible for monitoring and reviewing the risk management by the company and the group, and the committee assists the board in fulfilling this responsibility. The executives and management are responsible, through delegated authority, to manage the company risk.

The company has implemented an effective policy and framework for risk management that will enhance the company's ability to achieve its strategic objectives; and ensuring that the disclosure regarding risk is comprehensive, timely and relevant. The Risk Committee undertakes this by:

- Annual review of the policy and framework for risk management, which are recommend for approval to the board;

Meetings of the Risk Committee:

Name	7 Jul '10	29 Sep '10	25 Nov '10	18 Jan '11	7 Apr '11
Thenjiwe Chikane* (Chairman)	✓	✓	✓	✓	✓
Joan Joffe*	✓	✓	✓	✓	✓
Alwyn Martin*	✓	✓	✓	✓	✓
Troy Dyer*	–	–	–	–	Appointed
Ahmed Mahomed	✓	✓	✓	✓	×
Elizabeth Naidoo	✓	✓	✓	✓	✓

*independent, non-executive director

- Monitoring the implementation of the policy and plan by management;
- Making recommendations to the board concerning the levels of tolerance and appetite;
- Monitoring that risks are managed within the levels of tolerance and appetite as approved by the board;
- Overseeing that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the company;
- Ensuring that risk management assessments are performed annually and updated on a continuous basis;
- Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensuring that management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring by management takes place;
- Liaising closely with the Audit Committee to exchange information relevant to risk;
- Expressing the committee's formal opinion to the board on the effectiveness of risk management by the company;
- Reviewing risk management reporting that is included in the integrated report for it being timely, comprehensive and relevant; and
- Reporting to the board on risk management.

The committee has adopted a written mandate and terms of reference approved by the board, the terms of which are reviewed annually by the committee and the board. These were reviewed and amended during the year to incorporate those provisions of King III that have been approved by the board.

Corporate Governance Report (continued)

Group Remuneration Philosophy and Policy (continued)

The group's annual short-term incentive plan intends to recognise the achievement of a combination of group and business unit performance objectives. Medium-term incentive plans are being introduced to provide employees with an incentive to remain with the organisation, and to provide qualifying employees with an opportunity to participate in the growth of the group.

This plan will provide an incentive, which will stretch from 12 months to three years, and an annual review will be conducted. The key criteria will link this with the achievement of pre-determined performance targets that are aligned with business goals of the group.

Long-term incentives are offered through participation in the Datacentrix Holdings Limited

Share Incentive Trust, and intend to reward improved sustainable group business performance, aligned with shareholder interests over a longer term. Allocations of options from the Trust are designed to retain key senior employees over a longer period aligned with group strategy and to recognise their contribution to the group's performance.

Fees for non-executive directors are recommended to the board by the Human Resources and Remuneration Committee and reviewed annually with reference to external benchmarks. 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. Fifty percent of the non-executive director's fee is structured as an annual fixed fee and the other 50 percent is paid as an attendance fee for board and committee meetings.

Directors' Remuneration

Executive Directors

Remuneration and benefits 2011 for executive directors were as follows:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000
2011					
Ahmed Mahomed	2 430	4 524	51	312	7 317
Elizabeth Naidoo	1 427	1 299	30	252	3 008
Total	3 857	5 823	81	564	10 325
2010					
Ahmed Mahomed	2 247	3 753	22	286	6 308
Elizabeth Naidoo	1 316	984	72	176	2 548
Total	3 563	4 737	94	462	8 856

No current or retired director receives a pension funded by the group.

Group Executive Committee

The total remuneration of members of the executive committee is set out below:

	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000	2010 Total R'000
2011						
Total	6 593	4 165	543	606	11 907	11 773
Number of members					6	6

The above figures include two of the top three earners (see next page).

Directors' Remuneration (continued)

Non-executive Directors - Fees for Services as Directors

	Total	
	2011 R'000	2010 R'000
Gary Morolo*	798	756
Alwyn Martin	494	349
Dudu Nyamane	439	200
Joan Joffe*	726	429
Thenjiwe Chikane	582	280
Total	3 039	2 014

* Gary Morolo has an interest in major shareholder Aka Capital (Proprietary) Limited and accordingly the fees were paid to this company.

* The fee for Joan Joffe includes her role as Lead Independent Director.

Top Three Earners

The top three earners were identified by the value of total remuneration awarded for the year.

	Salaries R'000	Incentives R'000	Benefits R'000	Retirement contributions R'000	Total R'000
2011					
Employee 1	1 242	1 546	56	51	2 895
Employee 2	1 313	1 217	-	162	2 692
Employee 3	1 496	907	30	-	2 433
Total	4 051	3 670	86	213	8 020
2010					
Employee 1	1 357	1 135	32	-	2 524
Employee 2	642	1 609	22	-	2 273
Employee 3	1 172	1 013	40	149	2 374
Total	3 171	3 757	94	149	7 171

“Medium-term incentive plans are being introduced to provide employees with an incentive to remain with the organisation, and to provide qualifying employees with an opportunity to participate in the growth of the group.”



Corporate Governance Report (continued)

During the year, the company's risk register, comprising the top 20 risks, was updated and each risk reviewed, re-ranked and documented. The review process also explored the possibility of new risks having entered the risk environment, and these were defined and ranked in the same way as existing risks. The register continues to be updated on an annual basis, or as often as circumstances necessitate. Ownership of each risk remains the responsibility of assigned senior executives, who report on progress made on agreed upon action plans.

The group's annual internal audit plan incorporates the outcomes of the risk management process and the top risks in the group have been incorporated into the internal audit plan and internal audit investigates the effectiveness of risk controls. These risks are addressed by the plan at least once a year. The internal auditors attend risk committee meetings where risk is addressed in order to verify that the risk management process is appropriate. The internal audit function formally reviews the effectiveness of the group's risk management processes once a year and reports on its findings to the Audit Committee, with future reporting planned for the Risk Committee.

The board is satisfied with the process of identifying, monitoring and managing significant risks and internal controls and that appropriate systems are in place to manage the identified risks, measure the impact thereof and that these are proactively managed so that the company's assets and reputation are suitably protected.

Human Resources and Remuneration Committee

The members of the Human Resources and Remuneration Committee are considered by the company to be independent, non-executive directors. This committee comprises three independent, non-executive directors and used to be chaired by Joan Joffe. Dudu Nyamane now chairs the committee effective 18 March 2010.

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

Meetings of the Human Resources and Remuneration Committee:

Name	20 May '10	21 Jul '10	21 Sept '10	30 Nov '10	19 Jan '11	23 Mar '11
Dudu Nyamane* (Chairman)	✓	✓	✓	✓	✓	✓
Joan Joffe*	✓	✓	✓	✓	✓	✓
Thenjiwe Chikane*	✓	✓	✓	✓	✓	✓
Ahmed Mahomed (invitee)	✓	✓	✓	✓	✓	✓
Elizabeth Naidoo (invitee)	✓	✓	✓	✓	✓	✓

*independent, non-executive director

International industry benchmarks. It reviews the balance of experience, knowledge and skills of the board to ensure that it delivers strategic direction and leadership required for success. The committee also fulfils the role of nominations of new directors.

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 and non-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 human resources matters such as skills development and employment equity.

Group Remuneration Philosophy and Policy

The commitment and contribution of employees are imperative for the delivery of sustainable growth. As such, Datacentrix is committed to a reward philosophy, which focuses on rewarding consistent and sustainable individual and corporate performance. The approach towards remuneration aims to ensure that there is a balance between the operational and strategic requirements of the company and providing appropriate remuneration packages. The intention is to attract, motivate, reward and retain high-calibre people, with great

competence and leadership abilities. A few of the key objectives of such a philosophy are to encourage and promote superior performance, to drive employee productivity, and to address diversity in the workplace.

In line with the group's remuneration philosophy, remuneration is reviewed annually by the Human Resources and Remuneration Committee. The group's primary executive remuneration objective is to reward executive directors and other members of the executive management team to ensure that their interests, as far as possible, commensurate with the interests of shareholders. In addition, the remuneration packages are benchmarked taking into account local, regional and national responsibilities. Details of the remuneration of the directors and information on share options are set out later in the corporate governance report.

Group employees receive a total guaranteed package, which is based on the role of the employee, market value, individual personal performance and level of competence. Employer contributions towards retirement, life and medical benefits are included in the total guaranteed package. Members have the option to structure their pensionable income and monthly contributions to the Datacentrix Provident Fund, however membership is compulsory.

Risk Committee (continued)

It is the view of the Risk Committee:

- There were no undue, unexpected or unusual risks taken by the company nor were there any material losses suffered for the period under review; and
- That the risks associated with the strategic direction of the company have been managed effectively by the company throughout the year under review.

The chairman of the Risk Committee is required to attend the annual general meeting to deal with enquiries relative to the committee's mandate.

Risk Management, Accountability and Audit Risk Management

The directors of Datacentrix have committed the company to a process of risk management that is aligned to the principles of the King III code. Sound management of risk enables management to anticipate and respond to changes in the business environment, as well as take informed decisions under conditions of uncertainty.

Risk management processes are embedded in the business systems and processes, so that responses to risk remain current and dynamic. All key risks, whether reputational, financial or nonfinancial, associated with major change and significant actions by the company also fall within the processes of risk management. The nature of Datacentrix' risk profile demands that the company adopts a prudent approach to corporate risk, and its decisions around risk tolerance and risk mitigation reflect this. Controls and risk interventions are chosen on the basis that they increase the likelihood that management will fulfil its intentions to stakeholders.



Corporate Governance Report (continued)

Group Remuneration Philosophy and Policy (continued)

The group's annual short-term incentive plan intends to recognise the achievement of a combination of group and business unit performance objectives. Medium-term incentive plans are being introduced to provide employees with an incentive to remain with the organisation, and to provide qualifying employees with an opportunity to participate in the growth of the group.

This plan will provide an incentive, which will stretch from 12 months to three years, and an annual review will be conducted. The key criteria will link this with the achievement of pre-determined performance targets that are aligned with business goals of the group.

Long-term incentives are offered through participation in the Datacentrix Holdings Limited

Share Incentive Trust, and intend to reward improved sustainable group business performance, aligned with shareholder interests over a longer term. Allocations of options from the Trust are designed to retain key senior employees over a longer period aligned with group strategy and to recognise their contribution to the group's performance.

Fees for non-executive directors are recommended to the board by the Human Resources and Remuneration Committee and reviewed annually with reference to external benchmarks. 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. Fifty percent of the non-executive director's fee is structured as an annual fixed fee and the other 50 percent is paid as an attendance fee for board and committee meetings.

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	Salaries R'000	Bonuses R'000	Benefits R'000	Retirement contributions R'000	Total R'000	2010 Total R'000
2011						
Total	6 593	4 165	543	606	11 907	11 773
Number of members					6	6

The above figures include two of the top three earners (see next page).

Directors' Remuneration (continued)

Non-executive Directors - Fees for Services as Directors

	Total	
	2011 R'000	2010 R'000
Gary Morolo*	798	756
Alwyn Martin	494	349
Dudu Nyamane	439	200
Joan Joffe*	726	429
Thenjiwe Chikane	582	280
Total	3 039	2 014

* Gary Morolo has an interest in major shareholder Aka Capital (Proprietary) Limited and accordingly the fees were paid to this company.

* The fee for Joan Joffe includes her role as Lead Independent Director.

Top Three Earners

The top three earners were identified by the value of total remuneration awarded for the year.

	Salaries R'000	Incentives R'000	Benefits R'000	Retirement contributions R'000	Total R'000
2011					
Employee 1	1 242	1 546	56	51	2 895
Employee 2	1 313	1 217	-	162	2 692
Employee 3	1 496	907	30	-	2 433
Total	4 051	3 670	86	213	8 020
2010					
Employee 1	1 357	1 135	32	-	2 524
Employee 2	642	1 609	22	-	2 273
Employee 3	1 172	1 013	40	149	2 374
Total	3 171	3 757	94	149	7 171

“Medium-term incentive plans are being introduced to provide employees with an incentive to remain with the organisation, and to provide qualifying employees with an opportunity to participate in the growth of the group.”



Corporate Governance Report (continued)

Directors' Shareholding

Executive Directors	2011		2010	
	Beneficial Direct	Beneficial Indirect	Beneficial Direct	Beneficial Indirect
Ahmed Mahomed	86 000	-	36 000	-
Total	86 000	-	36 000	-

Non-Executive Directors	2011			2010		
	Non-beneficial Indirect	Beneficial Direct	Beneficial Indirect	Non-beneficial Indirect	Beneficial Direct	Beneficial Indirect
Joan Joffe	-	502 685	-	-	502 685	-
Gary Morolo	61 152 467	-	20 000 000	61 152 467	-	20 000 000
Total	61 152 467	502 685	20 000 000	61 152 467	502 685	20 000 000

Gary Morolo is a shareholder in and/or director of major shareholder Aka Capital (Proprietary) Limited (Co-ordinated Network Investments (Proprietary) Limited and Eglin Investments Number 31 (Proprietary) Limited). There has been no change in shareholding up to the date of these financial statements.

Executive Directors' Share Options

Share option allocations are considered and recommended by the board and approved by the Human Resources and Remuneration Committee.

	Number of options 28/02/2010	New options allocated during the year	Expired, sold or lapsed during the year	Number of options 28/02/2011	Option Price R	Granting date	Value of all options in total R
Ahmed Mahomed	750 000	-	-	750 000	1.00	01/01/2002	750 000
	1 750 000	-	-	1 750 000	3.43	02/10/2006	6 002 500
	500 000	-	-	500 000	3.11	30/01/2009	1 555 000
	3 000 000	-	-	3 000 000	4.11	25/11/2009	12 330 000
	-	1 333 334	-	1 333 334	3.97	23/06/2010	5 293 336
Elizabeth Naidoo	125 000	-	-	125 000	1.00	08/01/2002	125 000
	1 000 000	-	-	1 000 000	3.43	02/10/2006	3 430 000
	300 000	-	-	300 000	3.11	30/01/2009	933 000
	-	666 667	-	666 667	3.97	23/06/2010	2 646 668
	7 425 000	2 000 001	-	9 425 001			33 065 504

Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

Datacentrix Holdings Share Trust

The two trustees, Dudu Nyamane and Gary Morolo, both 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.

Dealing in Securities

Trading in the company's shares and options is conducted on completion of an application form.

Authorisation is given in writing by the chairman of the board or 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, and their families and close associates, 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

Ithemba Governance and Statutory Solutions (Proprietary) Limited was appointed as the company secretary on 1 April 2009. The company secretary provides a central source of advice to the board on the requirements of the JSE Listings Requirements, King III and corporate governance in general. In addition to the company secretary's statutory and other duties, the secretary also provides the board as a whole, directors individually, and the committees, with guidance as to the manner in which their responsibilities should be discharged in the best interests of the company. The appointment and removal of the company secretary is a matter for the board as a whole.

Sponsor

One Capital is the company's sponsor. One Capital acquired the entire issued share capital of Barnard Jacob Mellet Corporate Finance (Proprietary) Limited (BJM) with effect from 1 November 2010. BJM was previously the group's sponsor. After a detailed review and evaluation of One Capital, the group decided to accept the engagement proposed by One Capital. One Capital's services include advising the board on the interpretation of and compliance with the JSE Listing Requirements and reviewing all notices required in terms of its statutes and the JSE rules and regulations.

External Audit

The board has recommended the re-appointment of 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.

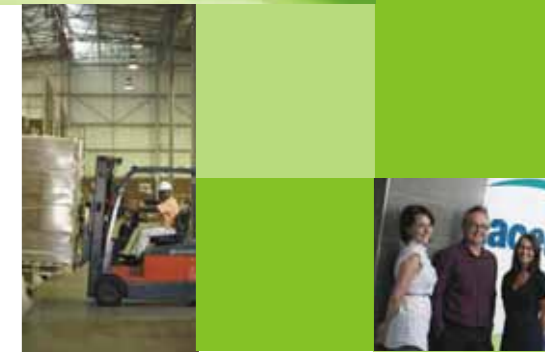
The external auditors provide the board and the Audit Committee with their independent observations and suggestions on the group's internal controls, as well as suggestions for the improvement of the financial reporting and operations of the business.

“Datacentrix believes in not only achieving its financial and economic goals, but also using its influence to help the society in which it operates.”

There is close co-operation between internal and external audit and reliance is placed, where possible, on the work of internal audit, therefore minimising the duplication of effort. A combined assurance plan is being worked on and will be formalised for the new financial year. The annual external audit plan is placed before the Audit Committee for review and approval. The external auditors attend all shareholder meetings of the company.

Corporate 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. Datacentrix is aware of its responsibilities as a corporate citizen not only to deliver value and profit to shareholders, but also to adhere to a code of ethical conduct, to deliver solutions that answer the environmental requirements of clients, and to ensure that operations are as sustainable as is practical. Datacentrix embraces differences that every employee brings to the company as management recognises that a workforce, which is as diversified as its clients, is better able to understand the needs and more likely to have the skills and knowledge needed to deliver innovative solutions.





Corporate Responsibility (continued)

The group takes responsibility for the health and safety of its employees and of all visitors to its sites. It aims to create an environment, which facilitates and supports practicable, safe and healthy conditions for everyone. Training and supervision is provided to all staff members who work in this environment.

Datacentrix is committed to responsible environmental stewardship and sustainable business practices. In the interest of all, the company is firmly committed to minimising the impact that it may have on the environment through continual improvement of business practices and to developing and implementing IT solutions and services that assist in preventing pollution.

Datacentrix has a relatively low direct environmental impact. However management acknowledges that climate change is a global problem and is committed to responsible environmental practices.

Social and community engagement initiatives are organised to address the various needs in society. Education, old age and health are three key areas where investments continue to be made to support those in need. Some of the donations that the company made during the year include:

- St Stithians School foundation aids over 360 teachers from all over Gauteng including 80 teachers from Limpopo. This project supports and upgrades the skills of maths and science teachers;
- Charity Calendars raises funds to meet various needs of previously disadvantaged children,

Corporate Governance Report (continued)

including food, educational toys, infrastructure requirements as well as the cost of caregivers and their respective training requirements;

- Ma Afrika Tikkun assists previously disadvantaged children in Orange Farm. Datacentrix' donation was used to build computer room facilities; and
- Mpumalanga Health Summit was attended by members from various non-profit organisations. Datacentrix assisted with the accommodation requirements for some of these members during the Summit.

Black Economic Empowerment (BEE)

Datacentrix achieved a Level 4 BEE certificate in December 2010 from EmpowerDex in an independent audit of its progress in the elements of BEE as required by the Department of Trade and Industry BEE Codes of Good Practice.

Enterprise Development

Datacentrix commenced its Enterprise Development Programme in 1998 by partnering with a pool of black owned and empowered Small, Medium Enterprises (SMEs) to service and cover South Africa's widely dispersed geographical regions. The main objective of this programme is to incorporate SME partners in various value adding operations as part of the delivery mechanism to clients, to build capacity within these enterprises, and also accelerate the development, sustainability and ultimate financial and operational independence of the same SME partners.

Socio-economic Development

Datacentrix continuously seeks to accurately align itself with all the principles of good practice. Datacentrix believes in actively investing in socio-economic strategies that have the potential to deliver a positive, long-term impact on the company's business, clients, employees and the South African community. In that regard, Datacentrix' programme support is biased towards education and training, old age and health.

Affirmative Procurement

Datacentrix annually reviews its supplier base and is committed to procure directly from those suppliers who have made significant progress in developing and supporting BEE.

Ownership

Direct black equity in Datacentrix was first established in 1998. Over time this shareholding has settled at a totally unencumbered equity of 10% of the business. There is further indirect black ownership via institutional shareholding and the share incentive scheme. It is Datacentrix' stated goal to improve this aspect as circumstances allow.

Management Control

Since listing in 1998, the black shareholders have exercised management control, including formally assuming the roles of CEO and chairman. This involvement continues through active participation in various processes of governance and operations, ranging from the board to management committees. In addition the two most senior positions in the company are occupied by black individuals.

Employment Equity

The group currently employs 980 (2010: 876) permanent employees of which 54 percent (2010:

55 percent) are black. 67 percent (2010: 68 percent) of the staff complement is previously disadvantaged. The company is working on a focussed plan to improve its employment equity at the various levels. This is being driven at an executive level.

Skills Development

This refers to the skills development expenditure for black employees on any program specified in the learning programme's matrix, including learnerships. Datacentrix' learnership programme is managed in conjunction with various accredited educational institutions that develop and provide the theoretical component of the programme. This includes the Datacentrix Microsoft Learning Academy, which offers an NQF level 5 (MCSE or MCSD) programme on a 12-month period. Based on the students' performance they have an equal opportunity to be permanently placed within the group. In the forthcoming year, a more specific plan has been drafted to ensure that investment is made in skills to strengthen the organisation.

Empowerment Scorecard	Actual Score	Target Score
Enterprise development	15.00	15.00
Socio-economic development	5.00	5.00
Affirmative procurement	20.00	20.00
Ownership	10.66	20.00
Management control	9.91	10.00
Employment equity	3.99	15.00
Skills development	1.49	15.00
Total Score	66.05	100.00

