

CORPORATE GOVERNANCE

Ethical leadership

An ethical culture is the basis upon which long-term business value and stakeholder support is created. Good corporate governance is integral to delivering sustainable growth and to that end, the Board of Directors reviews the governance climate, structures and processes, which are enhanced to accommodate internal developments and ensuring best practice.

The effective leadership provided by the Board is based on an ethical foundation of transparency, accountability, fairness and responsibility. The Board acknowledges and embraces the responsibilities bestowed upon it by the Companies Act and the King Report on Corporate Governance and is fundamentally responsible for ensuring that Emira's strategy, risk, performance and sustainability are inseparable.

Principles in the Charter of Corporate Governance set up firm operational processes, procedures and tools to institute, implement, monitor and control internal policies and procedures in furtherance of corporate governance, effective compliance and risk management.

Board of Directors

Structure and composition

The Board follows a unitary board structure and, as at 30 June 2017, it comprised 10 directors, seven of whom are independent non-executive directors and three are executive directors.

Ben van der Ross, who served as Emira's Chairman since its listing in 2003 reached retirement age and retired from the Board with effect from 14 February 2017. Emira thanks Ben for his valued contributions over the years and wishes him well in his retirement. Gerhard van Zyl, an existing independent non-executive director, took up the position of Chairman with effect from 15 February 2017.

Thys Nesor, an independent non-executive director, also retired effective 14 February 2017. The Company would like to thank Thys for his sage advice and the wealth of experience that he brought to Emira over the past 14 years.

Emira believes that its Board composition is in line with best practice guidelines and represents a balanced Board. The roles of Chairman and Chief Executive Officer are completely separated. The Board has a clear division of responsibilities to ensure a balance of power and authorities such that no director has unfettered powers of decision-making.

The directors as at 30 June 2017 were:

- › **G van Zyl** – Independent Non-executive Chairman
- › **BH Kent** – Lead Independent Non-executive Director
- › **V Mahlangu** – Independent Non-executive Director
- › **MS Aitken** – Independent Non-executive Director
- › **W McCurrie** – Independent Non-executive Director
- › **NE Makiwane** – Independent Non-executive Director
- › **V Nkonyeni** – Independent Non-executive Director

- › **GM Jennett** – Chief Executive Officer
- › **G Booyens** – Chief Financial Officer
- › **U van Biljon** – Chief Operating Officer

The directors have a vast range of knowledge, expertise and experience in strategic, financial, commercial and property activities, which allows them to exercise independent judgment in Board decisions and deliberations. These combined skills and experience benefit the Board as a whole in its supervisory role. Biographies of the Board are provided on pages 14 to 17 of this integrated report.

Derek Thomas, aged 47, holds a Master's degree in Economics from Wits University. He was appointed to the Board as a non-executive director post year-end, effective 15 August 2017. Derek is the CEO and co-founder of Letsema Holdings (Pty) Ltd which participated in Emira's BEE transaction that was concluded in June 2017 and is the current chairman of Transpaco Limited. Derek brings a wealth of experience in investment management, financial structuring and business strategy to the Board.

Diversity, race and gender are also taken into account when appointments are made and the Board, through its Remuneration and Nominations Committee, ensures that it has the right balance of skills, expertise appropriate to the strategic direction of the Company. In this regard, Emira has achieved its B-BBEE Board representative target of 25% to 33%, however, it has not met the target of 25% female representation for this reporting period.

The Board continuously reviews the diversity of its members and succession requirements.

Appointment, rotation and tenure

The appointment of directors follows a formal and fair process supported by a transparent policy including approval by the Board upon the recommendations of the Remuneration and Nominations Committee, which consists of a majority of independent directors. One-third of the directors of the Board will retire at the coming annual general meeting and will be eligible for re-election.

Independent Non-executive Director, Bryan Kent, is 72 years of age and his re-appointment at Emira's annual general meeting in November 2017 will be subject to a separate vote, however, the Board is of the opinion that Mr Kent's expertise, especially in the accounting and audit fields, is valuable to Emira and he should be retained as a member of the Board.

Development of directors

Newly appointed directors are provided with induction and training and they are directed to the courses run by the JSE and Institute of Directors, at Emira's expense. In addition, relevant new developments are communicated to directors at Board meetings, including those regarding the Companies Act, corporate governance and other relevant legislation.

During the year under review, the members of the Board attended a King IV-specific presentation, conducted by PricewaterhouseCoopers which covered the "apply and explain" concept as well as the approach to disclosures and additional duties and responsibilities it imposes.

Independence and performance of the Board

The Board ensures that it has the expertise, independence and diversity it needs to function independently. The Remuneration and Nominations Committee regularly assesses the independence of directors and reports on this to the full Board. Independence of the Board from the management team is achieved by:

- › Maintaining an independent non-executive chairperson;
- › maintaining a majority of non-executive directors including independent non-executive directors;
- › the remuneration of the non-executive directors being unrelated to the financial performance of Emira; and
- › all directors being entitled to seek independent professional advice concerning the affairs of Emira at the Fund's expense.

In light of the recent BEE transaction between Tamela Holdings and Emira, the independence of Vusi Mahlangu was assessed. Vusi was appointed to Emira's Board in 2010, making this a related-party transaction. An independence opinion was compiled by an independent expert and Vusi remains an independent non-executive director.

Emira's strategic objectives are set by the Board, who determines its investment and performance criteria. The Board is responsible for the proper management, control, compliance and ethical behaviour of the business under its direction.

Due to the change of company secretary, the Company did not complete its board evaluation process before year-end. Going forward, as Emira has previously done, the Board will undertake an annual evaluation by way of a questionnaire set by the company secretary. The external independent assessment evaluates the performance of the Board, its committees and individual directors, including the key function of the Chairman and Financial Director. The company secretary collates the information and provides feedback in the form of a report which includes focus areas which require training or further attention by the Board.

Directors' management of conflict of interests

When directors become aware that they have a direct or indirect interest in any existing or proposed transaction with an entity of Emira, they must notify the Company Secretary who in turn informs the Board Chairman. Directors are obliged to update any changes in these interests and this is done prior to or during each Board meeting. This process was adhered to for the year under review and directors recused themselves from any discussions as a result of personal conflict of interests. Any potential professional conflict of interests is disclosed by the director concerned and noted in the Board minutes. The lead independent non-executive director deals with matters where the Chairman may be conflicted.

Information requirements

The Board continuously assesses the information needs of directors to enable them to perform their duties and fulfil their obligations responsibly. In order to make informed decisions, Board members must have sufficient information covering the matter at hand.

All directors have access to Emira's records, information, documents and property.

Non-executive directors also have unfettered access to management at any time. Directors are informed timeously of matters that will be discussed at meetings and comprehensive information packs are provided well in advance of all meetings.

Board responsibilities

The Board Charter sets out a clear division of the directors' responsibilities and accountability, both collectively and individually, to ensure an appropriate balance of power and authority.

The primary Board responsibilities in terms of the Board Charter are:

- › to provide strategic direction to Emira.
- › to determine Emira's purpose, values and stakeholders relevant to its business and to develop strategies combining all three elements.
- › to ensure that procedures are in place to monitor and evaluate the implementation of strategies, policies, performance criteria for executive management (including business partners) and business plans.
- › to review and approve objectives, plans and actions, including significant capital allocations and expenditure.
- › to define its mission as representing the interests of Emira and its stakeholders in perpetuating a successful business that adheres to the vision and values of Emira and creates long-term value for stakeholders.
- › to be accountable and responsible to stakeholders for the performance and affairs of Emira.
- › to appoint the Chief Executive Officer, other executive directors and the Company Secretary and ensure that succession is planned.
- › to ensure that Emira complies with all relevant laws and regulations and that it communicates with its stakeholders openly and with substance prevailing over form.
- › to assess the key risk areas of the business on a regular basis and to determine the policies and processes necessary to ensure the integrity of internal control and risk management of Emira.
- › to develop the framework, policies and guidelines for safety, health and environmental management and other matters relating to sustainability.
- › to define levels of materiality, reserving specific powers for itself and delegating other matters with written authority to management.

› to establish and set the terms of reference for the Board committees. The Board reviews and approves the terms of reference for the Board committees on an annual basis or when the need arises due to a change in legislation.

The Board confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and the Board Charter.

Board committees

Delegation of authority

The Board is satisfied that the delegation of authority framework contributes to the role clarity and effective exercise of authority and responsibilities. Certain Board responsibilities have been delegated to the Audit Committee, Risk Committee, Remuneration and Nominations Committee, Social and Ethics Committee, Finance Committee and Investment Committee to assist the Board in discharging its collective responsibilities. The delegation of authority framework is reviewed by the Audit Committee and presented to the Board on an annual basis.

Each committee acts within the boundaries of clearly defined Board-approved terms of reference. These committees meet independently and provide detailed feedback to the Board via their chairmen. All committee meetings are minuted and directors may raise any questions arising from these minutes.

The various committee chairmen have confirmed that the terms of reference have been materially complied with for the year under review.

Audit Committee

Composition

The committee comprises three independent non-executive directors. The committee met five times during the year with the executive management as well as the executives responsible for finance, the compliance officer, and external and internal auditors.

The Chief Executive Officer, Chief Financial Officer and Chief Operational Officer attend these meeting by invitation. The Company Secretary attends all meetings as secretary to this committee. The table on page 49 references the attendance of committee meetings.

The Audit Committee members are:

- › **Bryan Kent** (chairman)
- › **Vusi Mahlangu**
- › **Gerhard van Zyl** (stepped down from committee on 15 February 2017)
- › **Vuyisa Nkonyeni** (joined committee on 25 May 2017)

The detailed biographies of these directors are presented on pages 15 to 17 of this integrated report. The report of the Audit Committee, including more detail on its responsibilities, commences on page 54 of this integrated report.

The committee has satisfied itself of the appropriateness of the expertise and experience of the financial director and the finance function.

Risk Committee

Composition

This committee comprises three independent non-executive directors. The Board nominates members of this committee and its chairman. The chairman of the Audit Committee is also the chairman of this committee. The committee met four times during the year.

The Chief Risk Officer, who is also the Chief Financial Officer, assists the committee in executing its duties. The Chief Executive Officer and the Chief Operating Officer attend these meeting by invitation and the Company Secretary is the secretary to this committee. The table on page 49 references the attendance of committee meetings.

The committee has an independent role, supervising and making recommendations to the Board for its due consideration and ultimate approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management. The role of the committee is to assist the Board to ensure that Emira has implemented an effective policy and plan for risk management that will enable it to achieve its strategic objectives and that the disclosure regarding risk is comprehensive, timely and relevant.

Risk management is discussed in detail and presented on page 26 of this integrated report.

The Risk Committee members are:

- › **Bryan Kent** (chairman)
- › **Vusi Mahlangu**
- › **Gerhard van Zyl** (stepped down from committee on 15 February 2017)
- › **Vuyisa Nkonyeni** (joined committee on 25 May 2017)

The detailed biographies of these directors represented on pages 15 to 17 of this integrated report.

Responsibilities

The committee's responsibilities include:

- › Overseeing the development and annual review of a policy and plan for risk management.
- › Monitoring implementation of the policy and plan or risk management taking place by means of risk management systems and processes.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 30 JUNE 2017

MEMBER	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION AND NOMINATIONS COMMITTEE	SOCIAL AND ETHICS COMMITTEE	INVESTMENT COMMITTEE	FINANCE COMMITTEE
CHAIRMAN	G van Zyl	BH Kent	BH Kent	V Mahlangu	NE Makiwane	MS Aitken	W McCurrie
NUMBER OF MEETINGS HELD	6	5	4	5	2	4	5
BJ van der Ross *	3/6			2/5			
BH Kent	6/6	5/5	3/4	4/5			5/5
MS Aitken †	6/6					4/4	
V Mahlangu	6/6	5/5	4/4	5/5			3/5
NE Makiwane ‡	6/6				1/2		
W McCurrie	6/6						5/5
MSB Naser *	3/6					3/4	
V Nkonyeni	5/6	2/5	1/4		1/2		
G van Zyl **	5/6	3/5	3/4	2/5		4/4	4/5
GM Jennett	6/6	5/5	4/4	5/5	2/2	4/4	5/5
G Booyens	6/6	5/5	4/4		2/2	4/4	5/5
U van Biljon	6/6	5/5	2/4		2/2	4/4	2/5

* retired effective 14 February 2017.

** appointed as Chairman of the Board; joined Remuneration and Nominations Committee; and stepped down from the Audit Committee and Risk Committee on 15 February 2017. He further stepped down as chair of the Investment Committee but remains a member.

† appointed chair of the Investment Committee on 15 February 2017.

‡ appointed as chair of the Social and Ethics Committee on 15 February 2017.

On 25 May 2017, Vuyisa Nkonyeni joined as a member of the Audit Committee and Risk Committee and John Greve of Devcon (Pty) Ltd joined the Investment Committee as a specialist invitee and expert consultant following Mr Naser's retirement.

- › Making recommendations to the Board concerning the levels of tolerance and appetite and 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 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 the system and process of risk management.
- › Reviewing reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

The committee has fulfilled its responsibilities during the year, complying with its legal, regulatory and other responsibilities.

Remuneration and Nominations Committee

The committee comprises three independent non-executive directors. The Chief Executive Officer attends these meeting by invitation. A new charter has been adopted by the Board setting out the purpose, role and responsibilities of this committee.

The committee meets on an ad hoc basis as required and met five times during the year under review. The table above references the attendance of committee meetings.

The Remuneration and Nominations Committee members are:

- › **Vusi Mahlangu** (chairman)
- › **Gerhard van Zyl**
- › **Bryan Kent**

The detailed biographies of these directors are presented on pages 15 and 16 of this integrated report.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and its charter. The more detailed remuneration report commences on page 56 of this integrated report.

Social and Ethics Committee

The Social and Ethics Committee has been constituted in terms of section 72(4) of the Companies Act No. 71 of 2008, as amended and its accompanying regulations, to implement the mandate prescribed by regulation 43(5).

Composition

The Social and Ethics Committee enhances Emira's oversight of key issues, including entrenching sustainability in its long-term strategy. The committee met twice during the year under review. The table above references the attendance of committee meetings.

The Social and Ethics Committee members at year-end were:

- › **Nocawe Makiwane** (chairman)
- › **Geoff Jennett**

The Chief Financial Officer and Chief Operating Officer attend these meetings by invitation.

The detailed biographies of these directors are presented on pages 14 and 16 of this integrated report.

Responsibilities

The committee's responsibilities include:

- › **Specifically in relation to the market place to ensure:** (i) the company's standing in terms of the 10 principles set out in the UN Global Compact; (ii) the development and implementation of anti-corruption policies that meet statutory requirements (Prevention and Combating of Corrupt Activities Act) and best practice as defined in the Organisation for Economic Co-operation and Development's Recommendations and the Tenth Principle of the Global Compact; (iii) compliance with competition legislation and regulations; (iv) conformance to any relevant industry charter; (v) the adequacy of systems and policies required to achieve the required B-BEE ratings and targets; and (vi) all market place risks to ensure that they are properly identified and regularly assessed.
- › **Specifically in relation to the workplace, to ensure that:** (i) employment equity policies meet all relevant legislative requirements; (ii) the company complies with all relevant workplace health and safety regulations and statutes; (iii) suitable and effective policies are in place to ensure that suitable staff members are attracted and retained by the company; (iv) staff churn and staff satisfaction levels are regularly monitored; (v) staff members are given appropriate opportunities for career improvement through training and education; (vi) the company provides decent work and working conditions to employees that are aligned with International Labour Organisation recommendations; (vii) the company manages its ethics effectively in accordance with the King III recommendations on ethics management; (viii) there is effective collaboration between the company and its stakeholders to promote corporate citizenship; (ix) there are policies and processes in place to ensure conducive employee relations; and (x) all workplace risks are identified and properly monitored.
- › **Specifically in relation to the social environment, to ensure the following:** (i) the compliance of all public relations and advertising with the requirements of the Code of Advertising Practice of the Advertising Standards Authority of South Africa and any other relevant legislation; (ii) compliance with the provisions of the Consumer Protection Act on its products and services and that appropriate steps have been taken to fully inform all staff of the same; (iii) the effectiveness of the communication mediums (including possible use of social media) used to communicate effectively with its consumers and to monitor stakeholder relations; (iv) adherence to the South African constitution and the Bill of Rights; (v) the adequacy of disclosures made to consumers relating to the contents of the company's products (through appropriate labelling or otherwise) to ensure that they are fully informed of any possible side-effects and/or incorrect applications and that adequate product safety provisions are in place; (vi) the impact of the business operations on the health and safety of society; (vii) actions are taken to protect, enhance and invest in the well-being of society; (viii) the effectiveness of suitable management committee(s) and/or senior executive(s) in framing and developing appropriate, relevant and measurable corporate social responsibility programmes (CSR) aligned with the needs of the communities in which the business operates;

(ix) the appropriateness of the budget allocated for the purposes of community development and CSR programmes; (x) the effectiveness of policies in place to ensure that all donations and sponsorships are aligned with the company's community development and CSR programmes; (xi) the efficiency of systems to ensure that neither the company, nor its business associates are complicit in human rights abuses (e.g. child or bonded labour); and (xii) the identification monitoring of all risks relating to the company's social environment.

- › **Specifically in relation to the natural environment, to monitor:** (i) compliance with all environmental laws and regulations applicable to the company's business operations; (ii) the adequacy of environmental policies to fully identify and address the impact of its operations and to protect, enhance and invest in the well-being of the environment; (iii) relevant sustainability risks inherent in its impact on the environment and incorporated the same into its environmental policy; (iv) systems and tools used to report on its carbon emissions, energy and water usage; (v) the appropriateness of measures taken to deal with any pollutant emissions and/or waste/effluent and in an environmentally friendly manner that is independently verifiable; and (vi) actions taken to reduce or minimise the environmental impact of the company's product(s) when they reached the end of their life-cycle and/or when disposed of by the consumers.

The Social and Ethics Committee must ensure that the above-mentioned issues align with company strategy. It must select suitable criteria with which to monitor and report the progress with regard to the implementation of the above policies and programmes and facilitate integration of the same in Emira's sustainability report.

A review of Emira's sustainability contributions for the year under review commences on page 66 of this integrated report.

Finance Committee

This committee offers the Board specific advice and technical assistance on all financial matters, including strategy relating to debt structures, interest rate hedging, foreign currencies and makes recommendations to the Board on sound deliberated proposals for these matters.

The committee does not assume the functions of management, which remain the responsibility of the executive directors. It is governed by formal Board-approved terms of reference that are regularly reviewed and updated.

Composition

The committee comprises three independent non-executive directors. The Company Secretary is the secretary to this committee. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer attend these meetings by invitation. The committee meets on an ad hoc basis as required and met five times during the year under review. The table on page 49 references the attendance of committee meetings.

The committee members at year-end were:

- › **Wayne McCurrie** (chairman)
- › **Bryan Kent**
- › **Vusi Mahlangu**
- › Gerhard van Zyl (stepped down after being appointed as Chairman of the Board on 15 February 2017)

The detailed biographies of these directors are presented on pages 15 to 17 of this integrated report.

Responsibilities

The committee's responsibilities include:

- › Identifying issues relating to important financial matters, which are relevant to Emira and need to be addressed.
- › Advising the Board on financial issues that affect Emira.
- › Establishing a work plan to ensure that all relevant matters of the committee's role and responsibilities are covered.
- › Reporting at every quarterly Board meeting on activities and progress of the committee.
- › Ensuring that the resolutions of the Board are carried out.
- › Considering any matter delegated to it by the Board, and advising the Board in connection therewith.

The committee having fulfilled its functions, has executed its duties during the year under review in accordance with its terms of reference.

Investment Committee

The committee was formed in May 2015, and also supports the Board by considering, interrogating and stress testing potential property investments in great detail. The executive directors attend these meetings by invitation. The committee met four times during the year under review. The table on page 49 references the attendance of committee meetings.

Composition

The Investment Committee members are:

- › **Michael Aitken** (chairman with effect from 15 February 2017)
- › **Gerhard van Zyl** (chairman until 15 February 2017 and remained a member thereafter)
- › **Thys Nesor** (retired as member with effect from 14 February 2017)

John Greve, a specialist investment committee consultant, attends committee meetings by invitation.

The detailed biographies of these directors are presented on page 15 of this integrated report.

Responsibilities

The committee's primary mandate with full decision-making authority up to Board determined levels include:

- › Reviewing and approving the investment mandate, investment proposals, including individual and portfolio acquisitions; major capital expenditure; new developments projects; extensions, upgrades and refurbishment projects; and the acquisition of assets forming part of a particular corporate activity;
- › Reviewing and approving the overall sales mandate and annual list of properties to be sold;
- › Reviewing and approving the property portfolio composition from time to time;
- › Executing its mandate subject to the limits contained within the approval framework;
- › Ensuring that all approvals authorised by the committee are reported to the Board at the next meeting after such authorisation;
- › Reviewing due diligence processes for investments periodically;
- › Reviewing and recommending to the Board the annual capital and refurbishment expenditure budgets proposed by management;
- › Providing a high-level review of annual property valuations;
- › Considering and satisfying itself of the resources and suitability of the expertise and experience of the investment team;
- › Considering and making recommendations to the Board on matters concerning the risk tolerance, risk appetite, and risk monitoring of property investment, sales and portfolio composition related risks;
- › Overseeing that the risk management policy is integrated in the day-to-day activities of the property investment, sales and asset management teams, and that adequate risk assessments are made, appropriate risk responses are adopted and continuous risk monitoring takes place; and
- › Ensuring that the investment and sales process complies with applicable laws and regulations as well as the investment and sales mandate and Company Approval Framework. The duties and responsibilities of the committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities who must continue to exercise due care and judgement in accordance with their legal obligations as directors.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate.

Executive Committee

The committee assists the Chief Executive Officer in managing Emira and is focused on formulating and implementing Emira's strategies and policies. Subject to matters reserved for decision by the Board, the Chief Executive's authority in managing Emira is unrestricted, however, unbudgeted transactions in excess of R20 million require Board approval. The Executive Committee comprises the three executive directors who meet at least once a month.

Succession planning, while important to the Company, is dealt with in an informal manner. As Emira is a relatively small company with a headcount of 28 staff members, including three executive directors, management and the Board are of the opinion that it is unnecessary to have potential successors in place for the executive directors. In the short term, the Board Chairman, as well as the Chief Financial Officer and/or Chief Operating Officer would be able to fulfill the role and assume the responsibilities of the Chief Executive Officer. Likewise, the current Chief Executive Officer was Emira's previous Chief Financial Officer and would be able to assume these duties while the recruitment for the needed position was underway. The current senior asset managers would assume the duties of the Chief Operating Officer.

Company Secretary

The Board as a whole and the individual directors have unrestricted access to the advice and services of the Company Secretary, who provides guidance to the Board and to the directors with regard to how their responsibilities are to be discharged.

The Company Secretary will be exposed to the daily operations of the company further embedding and embracing good corporate governance with the aim to improve all areas of compliance.

Meredith Leyds resigned as Company Secretary with effect from 28 April 2017. Acorim (Pty) Ltd. ("Acorim") was appointed as Emira's Company Secretary, also with effect from 28 April 2017. Acorim is an independent company secretarial and corporate governance advisory service provider and is represented by Nikita Brocco.

The Company Secretary also has oversight of the induction of newly appointed directors and training of all directors. The Chief Executive Officer, however, ensures that the annual Board plan is set and that the Board agendas are relevant to Board decision making.

The Board is satisfied with the expertise, experience, competence and qualifications of the Company Secretary and confirms that the relationship between the Board and the Company Secretary remains at arm's length.

Integrated compliance

Emira is made aware of and complies with all legislation and anticipates the statutory requirements of bills and regulations by the compliance function. It ensures that all business, legislative and administrative processes and procedures are implemented, monitored and adhered to and that in ensuring that compliance is enforced, eliminates reputational risk, alerts the compliance officer to aspects of non-compliance and endeavours to minimise any potential financial loss. King III recommendations were complied with in the year under review with the following exceptions:

The remuneration for the top three earning employees has not been disclosed due to the small size of the staff complement, and the highly competitive market in which Emira operates. The Board does not consider disclosure of this remuneration to be appropriate for privacy reasons.

The compliance function and processes are subjected to an internal audit review on a regular basis.

Going concern and internal control

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that Emira will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

These financial statements support Emira's viability, accountability and effective internal control processes.

Systems of internal and operational control are the Board's responsibility. The executive directors are however, responsible for ensuring that assets are protected, losses arising from fraud and/or other illegal acts are minimised, all valid transactions are recorded properly and systems operate effectively.

The internal auditor performed comprehensive reviews and testing of the effectiveness of the internal control systems in operation and reported its findings to the Audit Committee. The internal audit function coordinates with other internal and external providers of assurance to ensure proper coverage of financial, operational and compliance controls.

The Audit Committee has the cooperation of all directors, management and staff and is satisfied that controls and systems within Emira have been adhered to during the period under review.

IT management

The IT Steering Committee, chaired by the Chief Financial Officer, is governed by policies, which have been adopted by Emira. It also oversees the IT functions at Emira's offices and has established the necessary IT security policies and firewalls. Weekly off-site back-ups are maintained for added IT security.

While Emira is not IT critical, IT management remains of importance. Emira's two main property managers, Eris and Broll maintain electronic records with regard to property management matters and Eris is responsible for the maintenance and storage of Emira's financial records.

The internal auditors review the IT operations at Eris, Feenstra and Broll and report to the Audit and Risk Committees with regard to the IT operations and adequacy of the back-up and continuity plans in place at the managers' offices.

In December 2016, a management information systems ("MIS") specialist joined the Emira staff complement. This appointment was in line with the target set in the year to improve on the Company's MIS. Meaningful progress has been made with the new systems, which were put in place. The outcome being that the internal asset managers have greatly benefited from the accessible analytical information generated in these monthly reports.

Information can now be used to better effect and can be assessed in practical terms. Top risks are also identified through this process, with variances in data being immediately detectable allowing for the necessary remedial actions to be taken in a much shorter timeframe. The new MIS will allow for scenarios to be simulated and opportunities are thereby also identified. These monthly reports are consolidated quarterly for insertion into the circulated Board packs, which are dispatched to directors.

The MIS undergoes constant refinement which has resulted in improved reporting since its implementation.

There have been no further material changes to the IT management during the year under review, however Emira is assessing and re-evaluating the IT system and its functionality. In order to extract the maximum from its IT and data systems, Emira wishes to own and manage its own system at some stage in the future. In the next 12 months, Emira will be assessing and re-evaluating its IT systems on how best to improve it in the areas of property management and financial matters. The Company plans to make allowance for capital expenditure and the funding impacts into the IT system functionality.

Ethics performance

Code of ethics and conduct

Ethical business practices are set out in Emira's board-approved and adopted code of ethics. The code actively promotes the avoidance of possible conflicts of interest within specific areas of competence. The code bolsters the values of responsibility, honesty, fairness and respect and dictates that all actions must be trustworthy and ethical. The code also obliges all directors, officers and employees to interact with one another and with stakeholders with integrity. Ethical business practices have been included in the terms of appointment of contract and service providers. The code can be found on Emira's website: www.emira.co.za.

While Emira has considered implementing a whistle-blowing facility, it does not currently have any such facility in place due to the small size of the Company.

Employees must act in accordance to the highest personal and moral standards and must demonstrate respect for human dignity of all other people. All members of staff are expected to conduct personal affairs in a proper and responsible manner and must sign the code of conduct on commencement of employment.

In terms of the code of ethics, there have been no issues of non-compliance, fines or prosecutions levied against Emira or its management. There is currently no need to change focus with regard to ethics.

Directors' dealings

In terms of the Board-adopted policies in place, directors as well as certain other managers are prohibited from dealings in shares in periods immediately prior to the announcement of Emira's interim and year-end financial results and at any other time deemed necessary by the Board or as required in terms of the JSE regulations.

Directors need written clearance from the chairman prior to trading in the shares. The chairman consults with the executive directors before granting the clearance to ensure that there is no material price-sensitive information that has not been disclosed to the market. Clearance is provided on receipt of a written request from the director.

Liability insurance

Liability insurance is in place, which provides cover for directors and prescribed officers against legal action by third parties.

Stakeholder communications

Emira and its management acknowledge their responsibility to society to report and communicate in a manner that is transparent and accountable regarding matters of an economic, social and environmental nature. Emira's executive directors conduct timely presentations on the company's performance and strategy to financiers, institutional investors, financial analysts and the media in South Africa.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on Emira's website. Shareholders and other stakeholders are also advised of such newly-published items via SENS.

Emira publishes and reports on its half- and full-year financial results, in print and electronic media as specified by the JSE Listings Requirements from time to time and the executive directors maintain regular contact with the media by disseminating relevant information.

It is the Board's duty to present a balanced and understandable assessment of Emira's position in reporting to stakeholders. Engagement and communication with stakeholders is discussed fully on page 24 of this integrated report.

ENGAGEMENT METHODS

For ease of use and comparability, all references to "Company/companies" in the table below, refer to Emira.

The Board is satisfied that the company has complied with all King III recommendations. Emira is in the process of assessing and applying the provisions of King IV.

PRINCIPLE	APPLIED	COMMENT
The Board should act as the focal point for and custodian of corporate governance.	Yes	See page 47 – Corporate governance
The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Yes	See page 47 – Structure, composition and rotation
The Board should provide effective leadership on an ethical foundation.	Yes	See page 47 – Ethical leadership
The Board should ensure that the Company is and is seen to be a responsible citizen.	Yes	See page 49 – Social and Ethics Committee See page 66 – Sustainability matters
The Board should ensure that the Company's ethics are managed effectively.	Yes	See page 52 – Ethics performance
The Board should ensure that the Company has an effective and independent Audit Committee.	Yes	See page 48 – Audit Committee See page 54 – Audit Committee report
The Board should be responsible for the governance of risk.	Yes	See page 26 – Risk management See page 48 – Risk Committee
The Board should be responsible for IT governance.	Yes	See page 52 – IT management
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Yes	See page 51 – Integrated compliance
The Board should ensure that there is an effective risk-based internal audit.	Yes	See page 55 – Audit Committee report in respect of internal audit and internal control
The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Yes	See page 24 – Stakeholder engagement
The Board should ensure the integrity of the Company's integrated report.	Yes	See page 3 – Board responsibility statement
The Board should report on the effectiveness of the Company's system of internal controls.	Yes	See page 55 – Internal control
The Board and its directors should act in the best interests of the Company.	Yes	See page 47 – Director's management of conflict of interests
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Yes	See page 51 – Going concern See page 72 – Statement of directors' responsibilities
The Board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board.	Yes	See page 47 – Structure, composition and rotation for explanation as to why the chairman is not independent, appointment of lead independent non-executive director.
The Board should appoint the CEO and establish a framework for the delegation of authority.	Yes	See page 48 – Board responsibilities See page 48 – Delegation of authority
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Yes	See page 48 – Board responsibilities See page 47 – Structure, composition and rotation
Directors should be appointed through a formal process.	Yes	See page 47 – Structure, composition and rotation
The induction of and on-going training and development of directors should be conducted through formal processes.	Yes	See page 47 – Structure, composition and rotation See page 51 – Company Secretary
The Board should be assisted by a competent, suitably qualified and experienced company secretary.	Yes	See page 51 – Company Secretary
The evaluation of the Board, its committees and individual directors should be performed every year.	Yes	See page 47 – Independence and performance of the Board
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Yes	See commentary on page 48 – Board committees
A governance framework should be agreed between the Group and its subsidiaries' boards.	Yes	The subsidiaries are wholly owned by Emira and follow its governance framework
Companies should remunerate directors and executives fairly and responsibly.	Yes	See remuneration report commencing on page 56
Companies should disclose the remuneration of each individual director and certain senior executives.	Yes In part	See note 3 commencing on page 87
Shareholders should approve the Company's remuneration policy.	Yes	Remuneration report commencing on page 56

Full disclosure on King III compliance may be found on our website.