

# EFFECTIVENESS ASSESSMENT OF OMNIA'S APPROACH TO GOOD CORPORATE GOVERNANCE

King IV presents Omnia with an opportunity to assess whether the Group's approach to corporate governance is facilitating:

- Ethical and effective leadership and establishing an ethical culture
- Responsible corporate citizenship
- Accountability and effective control
- The governance of risk
- Transparency that ensures stakeholders are provided with the information they need to make an informed assessment of Omnia's performance
- Value creation for all Omnia's stakeholders



## GUIDING PRINCIPLES



Trusted and respected



Zero harm, positive impact



Engaged and empowered people



Collaborative solutions



Leveraged knowledge and capabilities



Technology enabled



African heritage, global reach



Optimised performance and assets

The FY2018 reporting suite as shown below is available online at [www.omnia.co.za](http://www.omnia.co.za) for further information on the application of King IV principles.



### Integrated annual report (IAR)

A succinct overview of Omnia's financial performance, related disclosures and other reports along with details on the strategy, business model, operating context, human capital and operational performance as well as selected social and environmental considerations



### Remuneration strategy and policy: Remuneration and implementation report

Omnia's remuneration philosophy defines how its remuneration plan supports the strategic goals and objectives of the organisation and rewards and incentivises management and staff



### Annual financial statements (AFS)

Detailed audited annual financial statements prepared in accordance with IFRS along with the related disclosure, including the director's, independent auditor's and audit committee's reports



### Governance report (GR)

Disclosure regarding Omnia's aspirations to good governance, high ethics and integrity



### Sustainable development report (SDR)

An overview of Omnia's approach to managing significant economic, social, health, risk and environmental matters affecting the Group



### Various information on

[www.omnia.co.za](http://www.omnia.co.za)

- Notice of Meeting of AGM (NOM)
- Financial results presentations and webcasts
- SENS announcements
- Policies
  - Safety, health, environmental and quality
  - Climate change

For ease of reference, the following table discloses where the information regarding the application of the King IV Principles may be obtained.

## ACHIEVING AN ETHICAL CULTURE:

| Principles  | Achieving the principles  | Further information available on Omnia's application of these principles  |
|---|---|---|
| 1. The governing body should lead ethically and effectively   | <ul style="list-style-type: none"> <li>• The board sets the tone of an ethical culture. The board performs its fiduciary duties as applied through its charter, letters of appointment and commitment to the Code of Ethics and Conduct. The ethical culture is further embedded into the Group's strategy and implementation plan which is reviewed on an annual basis</li> <li>• Omnia is a voluntary signatory to the Responsible Care® the Global Charter for the chemicals industry</li> </ul>   | <ul style="list-style-type: none"> <li>• The Governance Report (GR) page 1 confirms the commitment of Omnia's board to lead an ethical culture. An assessment by the Institute of Directors (IoD) reflected that the board has been effective in carrying out its duties for the financial year under review</li> </ul> |
| 2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture | <ul style="list-style-type: none"> <li>• The board is supported by the Social, Ethics and Risk Committee (SERC) which, as part of its scope, monitors and oversees management of organisational ethics and compliance</li> <li>• The foundation of ethics that have been established in Omnia are supported through various mechanisms:               <ul style="list-style-type: none"> <li>– On-boarding programmes</li> <li>– Anonymous tip-off reporting</li> <li>– Disciplinary code</li> <li>– Annual declarations of conflicts of interest</li> <li>– Cross checking of conflict of interest using specialised software and third-party services</li> <li>– Independent internal audit function and chief audit executive</li> </ul> </li> </ul>   |   |
| 3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen                    | <ul style="list-style-type: none"> <li>• Responsible Corporate Citizenship is supported by Omnia's revised vision and strategy to be implemented from FY2019 that is based on the concepts of: Trusted Performance, Innovative Solutions, <b>Better World</b></li> <li>• Omnia recognises its social responsibility in the various operations around the world and has delegated to SERC, the responsibility to monitor the impact of its activities against targets and limits set by the board</li> <li>• Improvements in managing responsible corporate citizenship during the year under review were enhanced through the appointment of Deloitte and internal auditors and to the position of Chief Audit Executive, as well as the internal appointments of Group Director: Risk and Compliance and Group Executive: Sustainability</li> <li>• Omnia has adopted the concept of the combined assurance model</li> </ul> | <ul style="list-style-type: none"> <li>• Omnia's GR page 2 discusses the board's reinforcement of its corporate citizenship responsibilities and how these are monitored by SERC</li> <li>• Further information on the revised strategy is reported in the IAR on pages 54-61</li> </ul>                                |

## ACHIEVING GOOD PERFORMANCE:

| Principles   | Achieving the principles  | Further information available on omnia's application of these principles  |
|--|---|---|
| <p>4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p> | <ul style="list-style-type: none"> <li>• The board delegates the formulation of strategy to the executives, for approval by the board and execution by management. The strategy defines the core business purpose and is supported by the business model and risk framework</li> <li>• Performance against the strategy is monitored through lead and lag indicators for executives and management with short-term and long-term goals to support sustainable development while creating value a <b>Better World</b> for stakeholders as identified by a stakeholder management framework</li> <li>• Refer to the remuneration policy online</li> </ul> | <ul style="list-style-type: none"> <li>• Each year the directors review the strategy and performance of Omnia as part of the value creation process. SERC's mandate is to measure the risk appetite of the company and how these should be applied to opportunities. Further information is referenced in the GR page 3</li> <li>• Firm targets beyond financial performance are entrenched to align operational plans to strategic outcomes. Performance is measured on the triple context as they relate to the six capitals. Further information on the value-creating business model is reported in the IAR on pages 24 to 33</li> <li>• Further information on executive performance against the strategy is reported in the remuneration and implementation report on pages 21 to 31</li> </ul> |
| <p>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects</p>                            | <ul style="list-style-type: none"> <li>• The board assumes responsibility for the IAR, and approves material interim communications, SENS announcements and media statements and plays an important role in its preparation. The combined assurance model, which includes both internal and external assurance services, provides the board and the stakeholders with the comfort on the integrity of the reports</li> <li>• Individually or in combination, the Group MD, Group FD, board chairman and/or LID engages key stakeholders on strategic matters from time-to-time as well as on any matters of concern to them</li> </ul>                  | <ul style="list-style-type: none"> <li>• The board approves detailed business reports at interim and year-end and releases these to stakeholders timeously. This is referenced in the GR on page 3. Other useful information is published on the Omnia website, <a href="http://www.omnia.co.za">www.omnia.co.za</a></li> <li>• The board solicits market feedback through reports and investigations carried out by independent bodies. Information obtained is used to inform decisions around improved communication to meet the needs of key stakeholders. Information on stakeholder relations is reported in the IAR on pages 50 to 53</li> </ul>   |

## ACHIEVING EFFECTIVE CONTROL AND LEGITIMACY:

| Principles   | Achieving the principles   | Further information available on omnia's application of these principles   |
|--|--|--|
| <p>6. The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>   | <ul style="list-style-type: none"> <li>The chairman of the board ensures all directors behave in line with the Code of Ethics and Conduct and board committees monitor compliance with the Code. Adriaan de Lange, the Group managing director is ultimately responsible to ensure that these codes are implemented throughout the organisation</li> <li>The board is supported by a suitably qualified and experienced company secretary, Michelle Nana was appointed effective 1 July 2018 and, who plays a pivotal role in the corporate governance process and provides the board collectively and directors individually with guidance on the discharge of their responsibilities</li> <li>During the year, Omnia obtained an independent assessment of its application of King IV during the FY2018 financial year and those areas of improvement that were identified have been incorporated in the FY2019 annual plan</li> </ul> | <ul style="list-style-type: none"> <li>The GR page 2 references the board's role as custodian of corporate governance</li> <li>Further information on the board fulfilling its obligations in terms of the board charter is reported in the GR</li> <li>Meetings held and attendance is reported in the GR on page 4</li> </ul>  |
| <p>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p> | <ul style="list-style-type: none"> <li>The board believes in diverse balance of skills, experience and competencies in industries and fields relevant to the Group's business operations and promote the inclusion of different perspectives and ideas</li> <li>During the year, the remuneration committee scope was amended to incorporate board nomination duties and is now referred to as the remuneration and nominations committee. The committee now monitors board succession planning and evaluates the skills and expertise required in making decision regarding new candidates for the board. Regular reviews of the effectiveness of the committees and the board ensure both diversity and independence</li> </ul>  | <ul style="list-style-type: none"> <li>The GR pages 5-8 discuss the composition of the board and its committees and member independence</li> <li>Composition of the governing body is further reported in the IAR under leadership on pages 34 to 36</li> <li>Omnia's chairman, Rod Humphris, is not independent and as such Ralph Havenstein acts in the role of lead independent director. Information on the chairman and lead independent director can be found in the GR on pages 7-8</li> <li>Information on retired and resigned directors is available in the chairman's appreciation in the IAR on page 11</li> </ul> |
| <p>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>        | <ul style="list-style-type: none"> <li>The shareholders delegate authority to the board through a formal schedule of matters for their consideration. A proper balance of executive, non-executives and independent directors and the sub-delegation to board committees promotes independent judgement and assists with the balance of power</li> <li>The board delegates management to the executive committee. The GR discusses governing structures and delegation</li> </ul>  | <ul style="list-style-type: none"> <li>The GR page 5 discusses governing structures and delegation</li> <li>Social, ethics and risk committee details are provided in the SDR on page 13, the audit committee in the AFS on page 16 and the remuneration and nominations committee in the remuneration and implementation report on page 4</li> </ul>  |

## ACHIEVING EFFECTIVE CONTROL AND LEGITIMACY CONTINUED

| Principles  | Achieving the principles  | Further information available on omnia's application of these principles  |
|---|---|---|
| <p>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chairman and its individual members, support continued improvement in its performance and effectiveness</p> | <ul style="list-style-type: none"> <li>• The board assessed its performance and that of its chairman, committees and individual directors and is satisfied that the assessments carried out support the need for continued improvement in performance and effectiveness and areas for improvement have been incorporated in the annual plan</li> <li>• The company secretary's performance is evaluated to ensure that there is an arm's length relationship between the board and the company secretary and that the objectivity and independence of the company secretary is not unduly influenced</li> <li>• Directors are encouraged to take charge of their individual developmental needs to execute their responsibilities effectively and further development was supported by providing additional training on the principles of corporate governance and King IV</li> </ul> | <ul style="list-style-type: none"> <li>• An annual assessment was performed by the Institute of Directors and confirms that the board as a whole, its committees and the individual directors have discharged their duties satisfactorily. Areas for improvement have been highlighted for FY2019. The company secretary's performance and independence were evaluated by the directors who confirmed that the company secretarial functions were performed satisfactorily. Further information on board and committee assessments is reported in the GR on page 9</li> </ul>   |
| <p>10. The governing body should ensure that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities</p>                                     | <ul style="list-style-type: none"> <li>• The board and committees engage with management on various levels including through the Exco and during the annual business planning process and through sub-committee meetings and presentations</li> <li>• The board has a delegation of authority framework in order to delegate management accountability</li> <li>• Various internal policies</li> <li>• The board sets the strategy and risk appetite and monitors its implementation through multiple levels of assurance</li> </ul>  | <ul style="list-style-type: none"> <li>• The board has delegated management accountability to Adriaan de Lange (Group managing director) through a formal delegation of authority. See GR page 5 for governing structures and delegation</li> <li>• Further information on succession planning is reported in the GR on page 8</li> <li>• Further information on notice periods and restraints of trade on the Group managing director, finance director and prescribed officers are reported in the remuneration and implementation report on page 12 to 13</li> <li>• Further information on assurance is reported in the IAR under the section Material risks and opportunities on pages 62 to 70</li> </ul> |

## ACHIEVING EFFECTIVE CONTROL

| Principles   | Achieving the principles   | Further information available on omnia's application of these principles   |
|--|--|--|
| <p>11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>                       | <ul style="list-style-type: none"> <li>The board increased the capacity of the compliance, risk and sustainability functions to enhance support to improve the governance of organisational risk. The outsourcing of the internal audit function to Deloitte creates a truly independent evaluation of the internal controls and access to deep technical resources and expertise. The internal risk and compliance function provides oversight of the company's regulatory universe, providing guidance to the various business units and the sustainability department provides oversight on the safety, health and environmental aspects of the business</li> <li>A comprehensive risk register is tabled at every SERC committee meeting and issues identified and lessons learnt are taken into consideration when formulating appropriate measures for mitigating risks</li> </ul> | <ul style="list-style-type: none"> <li>As part of its governance functions, the board and specifically SERC, work to embed a risk management framework and culture with a focus on international operations and controls. Further information is discussed in the GR on page 9</li> <li>Further information on the governance of risk and compliance is reported in the IAR on pages 62 to 70</li> </ul> |
| <p>12. The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives</p> | <ul style="list-style-type: none"> <li>The board is supported by the Group finance director in governing technology and information</li> <li>Capacity and capabilities in this area were enhanced by implementing the Microsoft Dynamics AX ERP system and related suite of application software along with the upgrade of the network and operating system hardware and software products</li> </ul>  | <ul style="list-style-type: none"> <li>The board governs the use of technology and the information generated by IT resources. See GR page 9</li> <li>Further information on the governance of technology and information is reported in the IAR in the finance director report on page 119</li> </ul>  |

## ACHIEVING LEGITIMACY:

|   |   |  |
|---|---|--|
| <p>13. The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</p> | <ul style="list-style-type: none"> <li>Omnia has bolstered legal compliance through the appointment of a full-time Group legal counsel with additional resources to support legal compliance within the organisation</li> <li>As the legal function used to be part of the Group company secretarial department portfolio, additional focus and capacity has been added to the company secretarial function</li> <li>A Group sustainability department has been implemented</li> <li>The Group makes use of external professional and legal resources in the various jurisdictions within which it operates to ensure international legal compliance; local skills are also employed where necessary</li> <li>Legal compliance systems and processes are continuously being put in place to mitigate the risk of non-compliance with the laws in the various jurisdictions in which the Group operates and a library of policies provides the necessary guidance</li> </ul> | <ul style="list-style-type: none"> <li>The board commits to laws and regulations that support Omnia's efforts to be a good corporate citizen. This includes the annual JSE listing requirements. See GR page 10</li> <li>The BBBEE compliance certificate is available on the website</li> <li>Further information on statutory compliance, and how this is applied internationally is reported in the GR</li> </ul> |
|---|---|--|

## ACHIEVING LEGITIMACY CONTINUED

| Principles  | Achieving the principles   | Further information available on omnia's application of these principles  |
|---|--|---|
| <p>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term</p>                                     | <ul style="list-style-type: none"> <li>The board assumes responsibility for governance of remuneration with the support of the remuneration and nominations committee. The remuneration policies and practices are aligned to Omnia's objectives of value creation, fairness and competitiveness in a sustainable manner</li> <li>The company discloses the remuneration of each director and prescribed officer in the IAR</li> </ul>   | <ul style="list-style-type: none"> <li>The company's remuneration policy and implementation plan are submitted to the shareholders at the AGM each year for approval. See GR page 9</li> <li>Information on the Remuneration and nominations report may be referenced as follows:               <ul style="list-style-type: none"> <li>Remuneration and nominations committee chairman report included in the remuneration and implementation report on pages 2 to 5</li> <li>Remuneration and implementation report pages 7-31</li> <li>Also refer to the Remuneration strategy and policy pages 2-23</li> </ul> </li> </ul> |
| <p>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</p>                    | <ul style="list-style-type: none"> <li>The Omnia audit committee is functionally responsible for the outsourced Group internal audit function. The audit committee obtained assurance on the financial statements and internal controls and carried out its statutory duties set out in Section 90 of the Companies Act 71 of 2008. The audit committee satisfied itself with the expertise and experience of the Group finance director and financial function and assessed the independence and performance of the internal and external audit functions</li> <li>In September 2017, the board appointed Deloitte to assume full responsibility of the internal audit function and to the role of Chief audit executive</li> <li>The SERC advises and provides guidance to the board on the effectiveness of management's efforts in respect of social, ethics and sustainable development related matters and SERC obtain assurance on certain sustainability information included in the SDR. The committee is satisfied that it carried out its duties as prescribed in the Companies Act 71 of 2008 and reports on its discharge of its duties in this regard to the board and stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>The GR page 9 discusses combined assurance and the three lines of defence</li> <li>Further information on assurance services and functions are referenced under Material risk and opportunities in the IAR on page 62 to 70 and the AFS in the audit committee report on page 13</li> </ul>  |
| <p>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time</p> | <ul style="list-style-type: none"> <li>Omnia pursues open, relationship-driven communication with stakeholders to promote confidence, mutual trust and shared growth. The board carefully considers feedback from stakeholders and where appropriate makes every effort to reflect on learning from the feedback in the design of the Group's future policies and actions</li> <li>The board assumes responsibility for the governance of stakeholder relationships and sets the direction how stakeholder relationships should be managed in the organisation</li> </ul>  | <ul style="list-style-type: none"> <li>Stakeholder engagement is referenced in the GR page 9</li> </ul>   |