



KING III COMPLIANCE REGISTER 2017

Principle #	Principles as taken from King III	<ul style="list-style-type: none"> • Applied • Partially Applied • Not Applied 	Action		
Ethical leadership and corporate citizenship					
1.1.	The Board should provide effective leadership based on an ethical foundation.	Applied	Mr. Ashvin Mancha is currently the chairman of Cognition. He has the support of a dedicated and experienced Board. The Board also has access to various professionals to supply them with technical knowledge.		
1.2.	The Board should ensure that the company is and is seen to be, a responsible corporate citizen.	Applied	The Board has tasked management with finding solutions to be a responsible corporate citizen and implementing these solutions.		
1.3.	The Board should ensure that the company's ethics are managed effectively.	Applied	The audit and risk committee addresses company risk and risks which are of concern are highlighted to the Board. A social and ethics committee has been established and are tasked by the Board to ensure the company's ethics are managed effectively.		
Board and directors					
2.1.	The Board should act as the focal point for and custodian of corporate governance	Applied	The Board is responsible for the setting of corporate governance. An audit terms of reference has been developed and adopted and remuneration policies have been set. The Board meets at least 4 times a year.		
2.2.	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	Cognition has an active Board that informs and approves strategy.		
2.3.	The Board should provide effective leadership based on an ethical foundation	Applied	The majority of Cognition Board members have been with the company for a number of years, they are all respected business people in their respective fields, and are highly regarded by the business community. The Board ensures their and management's conduct sets an example.		
2.4.	The Board should ensure that the company is, and is seen to be a responsible corporate citizen	Applied	The Board constituted the social and ethics committee that comprises two independent non-executive directors and one non-executive director. Part of their duties are to ensure that employment equity, transformation and codes of best practice are adhered to.		
2.5.	The Board should ensure that the company's ethics are managed effectively.	Applied	The social and ethics committee has been delegated to fulfil this task, and it reports back to the Board via their chairman.		

2.6.	The Board should ensure that the company has an effective and independent audit committee	Applied	All three the audit and risk committee members are independent non-executives.		
2.7.	The Board should be responsible for the governance of risk	Applied	The Board has set out in the audit charter that they remain responsible for the governance of risk. A risk matrix is made use of to track risks and their severity.		
2.8.	The Board should be responsible for information technology (IT) governance	Applied	An Information and Communication Policy is in place.		
2.9.	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Board constituted the social and ethics committee that comprises two independent non-executive directors and one non-executive director. The committee meets at least twice a year and is responsible for informing the Board of changing legislation.		
2.10.	The Board should ensure that there is an effective risk-based internal audit	Not Applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change. Appropriate checks and balances are in place for key aspects of the business which removes the possibility of independent or singular actions.
2.11.	The Board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The Board ensures that all stakeholders (shareholders, creditors, staff, SARS) are informed of any information relevant to them. Rules and regulations are complied with in an open and transparent manner.		
2.12.	The Board should ensure the integrity of the company's integrated report	Applied	The audit and risk committee reports back on their recommendations on the annual report and the Board is afforded the opportunity to scrutinise and interrogate the information supplied. The annual report is approved by the Board before release. The directors prepare information included in the annual report and are responsible for both the accuracy and consistency with the financial statements.		
2.13.	The Board should report on the effectiveness of the company's system of internal controls	Applied	The Board reports on the company's system of internal controls and its effectiveness to shareholders in their statement of responsibility and approval by the Board of directors in the annual report.		
2.14.	The Board should act in the best interest of the company	Applied	The Board is responsible to all stakeholders of the company. They have access to the audit and risk and		

			social and ethics committee as well as the company secretary. They are allowed to take independent advice in connection with their duties at company cost approved by the chairman of the Board.		
2.15.	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act, 71 of 2008.	Applied	The solvency and liquidity of the company is continuously monitored before material expenses are approved.		
2.16.	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	Applied	Mr Ashvin Mancha is the Chairman of the Board. Mr Mancha is an independent non-executive director		
2.17.	The Board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	Mr Mark Smith is the CEO.		
2.18.	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	<p>The Cognition Board presently comprises four independent non-executive directors, three non-executive directors and three executive directors.</p> <p>The independence of non-executive directors is reviewed each year regardless of their length of service. Independence is maintained by ensuring that there are no material transactions between the directors and the company, no loan accounts or share transactions, nor any operational involvement in the company. Directors' interest registers are also completed at Board meeting to ensure all interests are disclosed.</p>		
2.19.	Directors should be appointed through a formal process	Applied	Appointments to the Board are done in a formal and transparent manner and are a matter of deliberation by the Board. In general the appointment of a nomination committee is not appropriate.		
2.20.	The induction of and on-going training and development of directors should be conducted through formal processes	Not applied			This requirement only applies to companies listed on the AltX. Notwithstanding this Mr. Mancha, Mr. Mooney, Mr. Smith and Mr. Scholtz attended the directors induction course.
2.21.	The Board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	All directors have unlimited access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed. All directors are entitled to seek independent professional advice, at the group's expense, concerning the affairs of the group, after obtaining approval from the chairman. The Board considers the skills, qualification and continued training of the company secretary on an annual basis. The company secretary is independent from the company, and has no investments in the company or relations within the company Board, shareholders or management and remuneration is based on an arms length contract.		
2.22.	The evaluation of the Board, its committees and the individual	Applied		The Board undertakes an annual assessment and evaluation.	

	directors should be performed every year				
2.23.	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	An audit and risk committee has been formally constituted as well as a remuneration and social and ethics committee.		
2.24.	A governance framework should be agreed between the group and its subsidiary Boards	Applied	Common directors across all the subsidiary Boards ensure that a common governance framework is applied		
2.25.	Companies should remunerate directors and executives fairly and responsibly	Applied	The Board mandated the remuneration committee to review and set fair remuneration packages.		
2.26.	Companies should disclose the remuneration of each individual director and certain senior executives	Applied	The remuneration details of each director of Cognition are disclosed in the annual report.		
2.27.	Shareholders should approve the company's remuneration policy	Applied	Shareholders approve the non-executive director's remuneration via a special resolution at the annual general meeting each year.		
Audit Committees					
3.1.	The Board should ensure that the company has an effective and independent audit committee	Applied	All three the audit and risk committee members are independent non-executives.		
3.2.	Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	The audit and risk committee comprises of three independent non-executive directors. They come from various backgrounds that cover most aspects of corporate governance. The audit and risk committee members are re-appointed each year at the AGM. The members evaluate their own independence and skills set and are also reviewed by the Board for independence and performance.		
3.3.	The audit committee should be chaired by an independent non-executive director	Applied	The audit and risk committee is chaired by an independent non-executive director who is not the chairman of the Board and this is disclosed in the annual report.		
3.4.	The audit committee should oversee integrated reporting	Applied	The audit and risk committee reviews the annual report. They receive feedback from the auditors and also interrogate management on the disclosure and compilation of the annual report.		
3.5.	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	The audit and risk committee works closely with the independent auditor in ensuring that risks are identified and that sufficient comfort has been obtained that satisfy the auditors and the audit committee that the risk has been addressed.		
3.6.	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	The audit and risk committee will satisfy itself of the expertise, skills and experience of the financial director on an annual basis. It also considers the appropriateness of the expertise and adequacy of the resources of the finance function and experience of the senior members of management responsible for the financial function on an annual basis.		
3.7.	The audit committee should be responsible for overseeing of internal audit	Not Applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change
3.8.	The audit committee should be an integral component of the risk management process	Applied	The audit committee recommends new controls to be implemented based on		

			their experience within other fields of business and risks that they have come across. The executive management do the same and feed possible risk and suggested controls to the audit and risk committee. This ensures that the management of risk is dynamic and benefits from a wide field of knowledge.		
3.9.	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The audit and risk committee meets with the auditor at the planning stage and receives feedback once the audit is completed. The audit and risk committee reviews the independence of the auditor with reference to the services performed by them and the responsible senior staff responsible for planning and executing the audit. The audit and risk committee will re-appoint the auditor should they be of the opinion that all criteria have been met.		
3.10.	The audit committee should report to the Board and shareholders on how it has discharged its duties	Applied	The audit and risk committee reports on its duties and the results of decisions made in the annual report. The audit and risk committee also reports back to Board meetings.		
The governance of risk					
4.1.	The Board should be responsible for the governance of risk	Applied	The governance of risk has been delegated to the audit and risk committee.		
4.2.	The Board should determine the levels of risk tolerance	Applied	The Board sets the risk parameters in an on- going process of identifying risk and assessing its impact on the group. This process starts at Board level and filters down to all levels of management. The Board has adopted a conservative approach within the available resource constraints.		
4.3.	The risk committee or audit committee should assist the Board in carrying out its risk responsibilities	Applied	An audit and risk committee has been constituted. The audit and risk committee is responsible to identify and report risks, their possible impact and measures that have been taken to address these risks, to the Board. This is done in a formal report-back session at main Board level.		
4.4.	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	The Board filters down its risk policies to management. Management reports back to the Board on all aspects of their business including risk via Board packs.		
4.5.	The Board should ensure that risk assessments are performed on a continual basis	Applied	Risk assessment forms part of the reports provided by management		
4.6.	The Board should ensure that frameworks and methodologies are implemented to increase the profitability of anticipating unpredictable risks	Applied	The Board sets standards for internal control aimed at reducing the risk for error or loss in a cost effective manner. The standards include the proper delegation of responsibility within a clearly defined framework, and effective accounting procedures.		
4.7.	The Board should ensure that management considers and implements appropriate risk responses	Applied	The Board sets standards for internal control aimed at reducing the risk for error or loss in a cost effective manner. The standards include the proper delegation of responsibility within a clearly defined framework and effective accounting procedures. These are constantly monitored.		
4.8.	The Board should ensure continual risk monitoring by management	Applied	Risk assessment forms part of the reports provided by management to the Board.		
4.9.	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	Management reports back to the Board on the effectiveness of the controls managing risks.		

4.10.	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	Such processes are monitored on an on-going basis. Management reports these to the Board.		
The governance of information technology					
5.1.	The Board should be responsible for information (IT) governance	Partially applied		Due to the size of the company and its subsidiaries the assurance on the effectiveness of the IT controls is performed as part of the audit and is at a high level. Independent third party input is sought on an ad hoc basis to enhance compliance and ensure best practice.	
5.2.	IT should be aligned with the performance and sustainability objectives of the company	Applied	Business strategies and objectives and the role of IT in achieving them are clear.		
5.3.	The Board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	Management ensures IT governance is adhered to		
5.4.	The Board should monitor and evaluate significant IT investments and expenditure	Partially applied	The Board will evaluate any IT projects that may be deemed significant by executive management.		
5.5.	IT should form an integral part of the company's risk management	Applied	IT risks are continuously assessed by management		
5.6.	The Board should ensure that information assets are managed effectively	Applied	An Information and Communication Policy has been implemented		
5.7.	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities	Applied	An audit and risk committee has been constituted. The audit committee ensures that the audit processes cover the IT environment each year.		
Compliance with laws, rules, codes and standards					
6.1.	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The social and ethics committee is tasked with overseeing legislation changes as well as compliance with applicable laws.		
6.2.	The Board and each individual director should have a working understanding of the effect of the applicable law, rules, codes and standards on the company and its business	Applied	The Board has access to the Company Secretary at all times. The Company Secretary keeps the Board apprised of updates to applicable law, rules, codes and standards at each board meeting		
6.3.	Compliance risk should form an integral part of the company's risk management process	Applied	Compliance to JSE listings regulations, Companies Act, Labour Relations Act and all statutory compliance is assessed through various processes such as Board reviews and annual audits.		
6.4.	The Board should delegate to management the implementation of an effective compliance framework and process	Applied	Management is responsible for the management, training, continued education, professional development of its staff relating to risk and the compliance of regulations.		
Internal audit					
7.1.	The Board should ensure that there is an effective risk based internal audit	Not applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change
7.2.	Internal audit should follow a risk based approach to its plan	Not applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change

7.3.	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	Not applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change
7.4.	The audit committee should be responsible for overseeing internal audit	Not applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change
7.5.	Internal audit should be strategically positioned to achieve its objectives	Not applied			The Board has found that an internal audit function is not required having regard to the size of the Group and the nature of the Group's operations. The necessity and requirement of an internal audit function will continue to be monitored by the Board. This requirement will be revisited should the nature of the Group's business change
Governing stakeholder relationships					
8.1.	The Board should appreciate that stakeholder' perceptions affect a company's reputation	Applied	The CEO is responsible for managing the stakeholder relations at Group level.		
8.2.	The Board should delegate to management to proactively deal with stakeholder relationships	Applied	The executive directors and senior management are responsible for the strategy of the group and manage their stakeholder relations independently with learning experiences shared across the group.		
8.3.	The Board should strive to achieve the appropriate balance between its stakeholder groupings, in the best interests of the company	Applied	The Board ensures that all major decisions made are debated and all relevant information obtained to ensure that the best interests of the company and stakeholders are taken into account.		
8.4.	Companies should ensure the equitable treatment of shareholders	Applied	There is only one class of share in issue and the Board ensures that minority shareholders are protected.		
8.5.	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	The Board communicates with its stakeholders as and when required through the mediums available to them, i.e SENS, publications and posted correspondence. Complete, timely, relevant, accurate, honest and accessible information is provided by the company to its stakeholders, whilst having regard to legal and strategic considerations.		
8.6.	The Board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	The company secretary is responsible for receiving disputes and resolving them by escalating the dispute to the relevant committee or Board and provide formal feedback to the stakeholders. There have been no disputes registered during the period under review.		
Integrated reporting and disclosure					
9.1.	The Board should ensure the integrity of the company's integrated report	Partially applied		The audit and risk committee is responsible for oversight of the preparation of the integrated report and recommends the approval to the Board. The Board	

				reviews the integrated report and approves the report once satisfying itself on the accuracy and validity of the information contained therein.	
9.2.	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	The sustainability report is integrated with the company's financial reporting. The report is reviewed by the external auditors and the Groups' sponsor.		
9.3.	Sustainability reporting and disclosure should be independently assured	Not applied			There was no external assurance on the Sustainability Report. The Board will consider the benefits of obtaining external assurance on the Sustainability Report relative to the cost implications thereof