



Summarised  
**King IV**  
application register  
31 December 2019



**Montauk**  
Holdings Limited

# SUMMARISED KING IV™ APPLICATION REGISTER

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## **PRINCIPLE 1:** The governing body should lead ethically and effectively

The values of the board of directors (“the board”) are reflected in the behaviour of its directors. The sound and visible leadership of the board is characterised by the ethical values of responsibility, accountability, fairness and transparency which are embodied in the Company’s code of ethics adopted by the board for the Company. The behaviour and the code of ethics is a cornerstone for the long-term strategy of the Company and confirms the manner in which the Company conducts its business, its ethics and compliance, and embodies the standards that the board has set for itself and for the Group.

Stakeholders’ interests are balanced against effective risk management and Montauk’s obligations to ensure ethical management and being a responsible corporate citizen.

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## **PRINCIPLE 2:** The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that Montauk manages its business.

The Company has clearly defined values which all employees are expected to abide by. The board sets the values which promotes an ethical environment of fairness and transparency. The board has delegated the authority to management to promote the code of ethics, but the board remains ultimately responsible for the ethics of the Company. The code of ethics of the Company is principle-based, not governed by a set of rules that must be implemented and monitored.

The board is assisted by the social and ethics committee in discharging its responsibility of monitoring deviations from the Company’s code of ethics.

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## **PRINCIPLE 3:** The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

The nature of the Company’s business is generating renewable energy from landfill methane sources and manure from dairy farms located in the United States of America. Inherent in its business model is a focus on environmental preservation and this is complemented by the Company’s strict site rehabilitation policies in respect of the decommissioning of sites.

The Company has a zero-tolerance policy on gender discrimination. The board furthermore regularly considers the gender and race composition of not only itself, but the Company’s broader workforce. The board has adopted a gender and race policy, including certain targets, which it has met.

The board ensures that the Company is a responsible corporate citizen by complying with all national and international laws of the countries in which it operates.

The Company sees itself as a good corporate citizen in all its financial matters, including punctual payment of suppliers and has received an unqualified opinion from its auditors since its formation. No fraud or allegations of fraud have been identified since formation of the Group.

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## **PRINCIPLE 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

The board ensures that the strategy is aligned with the purpose of the Company, the value drivers of its business and the legitimate interests and expectations of its stakeholders.

The board is actively involved in discussing, reviewing and ultimately approving the acquisition of investments or the disposal thereof.

The board reviews the resources available to execute its strategy which includes financial resources, processes, systems, infrastructure, intellectual property, positioning, related assets and employees that support its value chain. The board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the Company.

Strategy is translated into key performance and risk areas (including finance, ethics, compliance and sustainability); and the associated performance and risk measures are identified and clear. All strategies implemented may have both positive and negative consequences on social and environmental conditions depending on the various advocacy groups which reflect the underlying value differences of the groups. However, the Company continues to monitor and assess the risk, including the reputational risk, when determining strategy.

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**PRINCIPLE 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

The Company has controls to enable it to verify and safeguard the integrity, i.e. accuracy and reliability, of its integrated annual report. The board ensures that the reporting framework complies with the Companies Act, No. 71 of 2008, as amended ("Companies Act") and the Listings Requirements of the JSE Limited ("JSE") ("JSE Listings Requirements").

The board reviews the provisional results, interim results, integrated annual report and annual financial statements to ensure that all the reporting requirements are sufficiently met. The board, via its committees, are responsible for all reports and circulars that are published and circulated to shareholders.

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**PRINCIPLE 6:** The governing body should serve as the focal point and custodian of corporate governance in the organisation

One of the functions of the audit and risk committee is to oversee the corporate governance of the Company, as delegated by the board.

Good corporate governance incorporates best business practices, which are aligned with the overall strategic direction of the Company. The board is fully involved with approving policy and planning by managing the strategy of the Company; determining if the acquisitions are in line with the corporate vision; requesting and reviewing evaluations; reviewing the plans; and the risks and the manner in which to mitigate these risks.

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**PRINCIPLE 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

The roles of chairman and chief executive officer of the Company are separate and not held by the same individual and the composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process.

The board has appointed a non-executive chairperson and, in terms of the definition provided, he is not regarded as independent. The board is of the opinion that the experience of this individual and specialist knowledge of the industry makes it appropriate for him to hold this position. The board has appointed a lead independent non-executive director.

The board's composition is based on the skills and knowledge required to operate within the renewable energy industry in the United States and within the regulatory framework of a public listed company in South Africa.

Directors appointed to the board during the course of the year retire as directors of the Company and stand for election by shareholders in accordance with the Companies Act.

The board does not have a nomination committee. All new candidates are vetted and approved by the board as a whole.

The board has applied its mind and has determined that, in line with the Companies Act, the independent directors, and the non-executive directors (all of whom have served for a maximum of five (5) years), are not unduly influenced by any relationship which will cause bias in their decision-making, and which is not in the best interest of the Company.

Montauk has adopted a gender and race diversity policy at board level. At the date of adopting this policy, the board's aim was to ensure that at least 25% of South African resident directors of the Company are female. In addition, the board's aim was to ensure that at least 50% of South African resident directors of the Company are "black people" as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended.

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**PRINCIPLE 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

The board ensures that suitable candidates are appointed to committees so as to achieve its objectives. The overall role and associated responsibilities and functions of the committees are included, where necessary, in the terms of reference.

All members of the board of the Company as well as the committees of the board have access to resources and information and may request information directly from management on matters of interest to the board. If required, the directors may take independent advice.

Each board committee is chaired by a non-executive director. The board of the Company consists of six (6) non-executive directors, which allows for a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.

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**PRINCIPLE 9:** The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

The board of directors assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members.

The board has agreed that the assessments are best conducted by dialogue between all the board members in a transparent and open manner at the board meetings.

The audit and risk committee completes written assessments of the chief financial officer and the finance team and submits these to the company secretary for review. An assessment of the internal auditor has not yet been conducted.

The chairman's ability to add value, and his performance against what is expected of his role and function is assessed every year by the board as a whole. The board determines the role, functions, duties and performance criteria for the directors on the board and board committees which serve as a benchmark for performance appraisal.

The remuneration committee reviews and assesses the results of the Company and benchmarks them against set targets and the action plan as approved previously by the board.

The board of the Company is satisfied that the manner of its evaluation process leads to improvements in its performance and effectiveness.

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**PRINCIPLE 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

The board has set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the chief executive officer. The chief executive officer is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board. There is at present no formal succession plan for the chief executive officer.

The chief executive officer and chief financial officer oversee that key management functions are headed by individuals with the necessary competence and authority as delegated by the board and have been authorised to ensure that key management functions are adequately resourced.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities within the Company. The company secretarial department is managed by a fellow of the Institute of Chartered Secretaries, who is empowered and authorised to provide corporate governance services to the board and management. The board is satisfied that these arrangements are effective.

The role and function of the company secretary is in accordance with section 88 of the Companies Act. A resolution confirming the appointment of the company secretary by the board of directors is in place.

The company secretary has unfettered access to the board (and vice versa) but, for reasons of independence, maintains an arm's length relationship with it and its members. Accordingly, the company secretary is not a member of the board. The performance and independence of the company secretary is evaluated annually by the board.

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**PRINCIPLE 11:** The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives

The board's responsibility for risk governance is expressed in the board charter. Montauk continuously considers the risks and opportunities related to its current portfolio of sites as well as future investments. This process, which is integral in the manner the Company makes decisions and executes these decisions, is led by the executive committee and supported by the audit and risk committee and the board as a whole.

The Company pursues business opportunities through vigorous due diligence and financial modelling, performed by executive management. The findings are presented to, and considered by, the board prior to investment.

The Company operates in highly regulated environments and compliance is monitored at site level. Instances of non-compliance or possible non-compliance are communicated to the board. Risk of changes in regulations that may affect the Company's operations are also communicated and considered as part of the board and audit and risk committee's risk governance process.

The audit and risk committee reviews the risk management progress, the effectiveness of risk management activities, the key risks facing the Company, and the responses to address these key risks.

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**PRINCIPLE 12:** The governing body should govern technology and information in a way that supports the organisation in setting and achieving strategic objectives

The board assumes the responsibility for the governance of information and places it on the board agenda; however, the governance of information and technology has limited scope at the holding company level. The chief financial officer has assumed the position of chief information officer, assisting the board in discharging its responsibility towards the governance of information and associated technology.

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**PRINCIPLE 13:** The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

Compliance with laws, rules, regulations and relevant codes is integral to the Company's risk management process.

The audit and risk committee is responsible to ensure that an appropriate compliance framework is in place and that non-compliance is reported; and to review significant risk matters. The social and ethics committee has also been mandated to monitor the effectiveness of compliance management in the Group.

The Group works within a highly regulated environment and compliance with state and environmental regulations is paramount to its operations. The board has delegated compliance management to the executive committee and receives regular information in respect of non-compliance and rectification action.

The Company's operations are situated in the United States. That country furthermore consists of a number of states, with varied regulatory frameworks across them. Whereas the administrative function in South Africa monitors and ensures compliance with South African laws and regulations, United States management, which includes the Company's chief executive officer and chief financial officer (both directors of Montauk Holdings Limited), monitor and ensure compliance within the various jurisdictions within the United States. Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored on a continuous basis.

The board understands, and is aware, that the promotion of a culture of compliance within the Group will reduce the risk of violating the rules and regulations that govern the Company.

Monitoring of compliance is a systematic and ongoing process to ensure that the compliance framework is effective and that any associated risks and/or breaches in compliance are effectively managed and mitigated.

The board is further satisfied that the Company has met the requirements of the Companies Act and the JSE Listings Requirements. As in previous years, there has been no major non-compliance by, or fines or prosecutions against, the Group during the year under review.

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**PRINCIPLE 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

Montauk's remuneration committee is responsible for overseeing the remuneration of all executive directors, management and non-executive directors. The remuneration is aligned with the Company's approach of rewarding directors and senior executives fairly and competitively, but according to the overall level of performance of the Group.

The Company's remuneration policy is set out in the remuneration report in the integrated annual report. The non-binding approval of the remuneration policy and implementation report is placed before shareholders at the annual general meeting.

In the event that the non-binding advisory resolution in respect of the Company's implementation report or its remuneration policy, as summarised in the integrated annual report, is voted against by 25% or more of votes cast at the annual general meeting, the board will seek to engage directly with the disapproving shareholders in order to contemplate the reasons for dissent and implement corrective action, if it deems fit.

Remuneration policies and practices are aligned with Company strategy which includes the achievement of strategic objectives within the organisation's risk appetite and tolerance levels. The remuneration policy of the Group promotes positive outcomes with long-term share scheme incentives. The annual bonus amounts are based on the Company achieving a board-approved consolidated EBITDA target as well as each member of the executive management team meeting remuneration committee-approved key performance indicators relating to budgetary cost control by the Company and each department, and compliance with safety training requirements.

The Company's share-based remuneration schemes are based on long-term goals. Bonuses are an acknowledgement of the achievement of short-term goals. If incentives are given for both long-term and short-term goals, the performance drivers are not duplicated and a balance is struck with the need to reward success over the longer term.

Employment contracts do not commit the Company to pay severance awards on termination arising from an executive's failure.

There is no automatic early vesting of share appreciation rights or restricted shares on early termination of employment, but it is rather at the discretion of the board. In the event of a change of control of the Company, the board may, at its discretion, vest outstanding share appreciation rights or restricted shares early.

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**PRINCIPLE 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

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. Although a combined assurance model has not yet been formalised for the Group, various sources of assurance are currently in place both at Group level as well as at its underlying subsidiaries. These include, but are not limited to, environmental and regulatory compliance, external audit, and various specialist external consultants.

The Company currently does not employ an internal audit function due to the centralised nature of its finance and administrative functions, and the robust compliance functions at the various operational sites. The board continuously evaluates the need for such an internal audit function.

The Group's chief financial officer has been appointed as the chief information officer, ensuring that the integrity of information, both financial and non-financial, is considered and addressed at the most senior level of management in the organisation.

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**PRINCIPLE 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 interests of the organisation over time

The board has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation. This stakeholder-inclusive approach requires the identification of the stakeholders and the interconnectivity behind the stakeholders to allow for the development of a strategy to manage and integrate the relationships between all the stakeholders by managing the business environment, relationships and promotion of shareholder interests. The board has delegated the development of the strategy to management. The board has adopted communication guidelines that support a responsible communication programme. Stakeholder communication is done through Stock Exchange News Service ("SENS") announcements and the Company's website and further reports as required by the JSE.

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