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|  | <b>INFORMATION TECHNOLOGY AND<br/>BUSINESS SYSTEMS<br/>GOVERNANCE FRAMEWORK</b> | www.afrimat.co.za |
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## **Introduction**

The Information Technology and Business Systems (“ITBS”) governance framework is the process that ensure the effective and efficient use of IT in enabling an organization to achieve its goals and whereby organizations ensure the effective evaluation, selection, prioritization, and funding of competing IT investments; oversee their implementation; and extract (measurable) business benefits.

It is all about Responsibility, Accountability, Communication and Empowerment (RACE)

The IT demand-side governance (what IT should work on), is a business investment decision-making and oversight process by Management and the Board.

The IT supply-side governance (how IT should do what it does), is concerned with ensuring that the IT organization is sustainable and operates in an effective, efficient and compliant fashion manage by the CIO.

Optimising ITBS investments must become a priority as ITBS is at the core of Afrimat’s ability to improve business efficiency. It should be an integral part of business governance and consists of leadership and organisational structures and processes that ensure that Afrimat’s ITBS sustains and extends the organisation’s strategies and objectives.

The King Code of Corporate Governance has elevated demands for improved compliance and risk management across the business, this include COBIT and ISO standards, and in particular on ITBS activities based on the following principles:

- The Board must take responsibility for ITBS governance
- Aligned ITBS with Business performance & sustainable objectives
- It is the responsibility of management to implement the ITBS governance framework
- Monitor and Evaluate significant IT investment and expenditure
- ITBS must be part of risk management team
- Effective management of ITBS assets
- Risk- & Audit committees will assist the Board in carrying out their ITBS responsibilities

Key focus areas:

- Strategic alignment
  - ❖ Are we doing the right things
- Risk Management
  - ❖ Are we protecting the right things
- Resource Management (Architecture)
  - ❖ Are we doing them the right way
- Performance Measurement
  - ❖ Are we getting them done well
- Value Delivery
  - ❖ Are we getting the benefits

The main outcome of the above is to transform Principles & Practices into tangible Outcomes on all levels (Strategic, Tactical & Operational)

Key deliverables resulting from Framework:

- Information based management culture
- In-time data with integrity
- Standardised reporting and systems
- Management accounting and reporting aligned with individual KPI's
- Agile, flexible, reliable and effective systems

## **ITBS framework**

### **1. ITBS Strategy**

The strategy explain the IT- principles and technology to support and define the short- and long term goals, to align the ITBS team to reach their common Goal.

Common Goal:

To provide Afrimat with INFRASTRUCTURE and SYSTEMS where the key characteristics are Agility, Elasticity & Reliability to ensure sustainable data capturing once and at source.

Current and future project list and status updates will align the ITBS team functions with business needs and will be the main driver that define the structure of the ITBS team. A quarterly breakdown and prioritization of specific tasks will be set up to ensure constant alignment with business and define tangible, measurable and achievable outcomes.

### **2. Business Alignment**

– *ITBS steering*

Business alignment will commence on three levels of the business: ITBS Steering Committee, CI Steering Committee (Process control) and Audit & Risk Committee.

ITBS strategic decisions are made by the ITBS Steering Committee in conjunction with the CEO and Audit & Risk Committee, including the prioritisation of projects.

ITBS Steering Committee is chaired by the GM Technology Systems and members include the CEO and CFO, GM Engineering (CI Steering Committee) and Managers of all subsidiaries.

CI Steering Committee consisting of the executive directors, GM Technology Systems and chaired by the GM Engineering.

ITBS is structured as a centralised shared service for the entire group.

Alignment between the business units and ITBS is ensured by applying standard project methodology for all ITBS projects.

- *ITBS Structure*

GM technology Systems

Business Intelligence/Information (BI) Manager

Business Systems (BS) Manager

Infrastructure Manager

CI Systems & Support Manager is a shared resource with its main function to align CI with the ITBS function, develop, implement and support CI Systems.

- *Decision making*

Day-to-day decisions are jointly made by the General Manager Technology Systems, ITBS management and the relevant subsidiaries' operational management. This includes expenditure commitments, capital expenditure, use of external resources and staff.

\* All approvals are also subject to the Afrimat Authorisation Guideline.

### **3. Value Delivery**

BI focus is to unlock value from existing data sets by consolidating “big data” into reliable and useful information, presented standardised and timeless throughout the Companies subsidiaries, from the lowest to highest level.

ITBS infrastructure, software change requests and software implementation projects will be delivered utilising formal project management methodology. Project teams will be appointed for each initiative and such project teams could consist of a Project Manager (should be a business representative), Financial Manager, Business Systems Managers, Business Systems Support Accountants and user management.

Annual capital expenditure and operating expenses budgets are prepared in line with approved business and ITBS strategies. ITBS strategy is updated annually and reviewed by the Audit & Risk Committee.

Afrimat's capital expenditure approval methodology is used for all investment decisions with compulsory signoff by the financial director and also by the CEO (when above a certain limit). The calculation of Internal Rate of Return (IRR) will be used as motivation for all capital projects.

Major ITBS projects spanning over several years are closely monitored and actual expenditures vs. approved investment reported to the Audit & Risk Committee each quarter.

Most ITBS procurement is done by the IT infrastructure manager with only limited procurement at subsidiaries relating to office automation equipment. All operating software, network equipment, support services and application software is procured centrally.

#### 4. Performance Management

Acquire the aid of management software to assist in IT HW & SW Resource Monitoring & Management, Network Monitoring & Management, Project Management and Operational Expense Control.

Operational user management together with finance is responsible for the integrity and credibility of their financial- and operational information and controls.

ITBS management is accountable for ITBS's own information and controls.

The following performance indicators are monitored:

| Category               | Performance indicator                         | How measured?  |
|------------------------|---|--|
| IT value               | ITBS alignment to business                    | Annual strategic ITBS planning<br>Quarterly tactic team planning |
| Users                  | User satisfaction                             | Invite constant feedback from management                         |
| Operational excellence | Minimal ITBS risks                            | Six monthly risk review<br>Monthly risk incidents reporting      |
|                        | Systems uptime                                | Monthly systems uptime reporting                                 |
|                        | Response time for change and service requests | Formal help desk monitoring system                               |
| Future orientation     | Exploitation of systems and processes         | Value adding projects completed.                                 |

#### 5. Information Security

Network, equipment and application software access will be automatically controlled through the use of network and application systems passwords to restrict access to application systems functionality.

Over and above the control of legal access to information, controls must exist to prevent illegal access by physical means, end point (virus), mail, Cyber/Web attacks, intellectual property (IP) theft and through any sort of mobile device.

ITBS risk management forms an integral part of Afrimat's overall risk management initiatives.

ITBS risk incidents are reported monthly to the General Manager Technology Systems and/or IT infrastructure manager.

The ITBS related issues in the risk register will be updated quarterly and presented to the Audit & Risk Committee.

## **6. ITBS Sustainability**

ITBS strategy, major projects, disaster recovery and operational related issues are reported to the Audit & Risk Committee each quarter with comprehensive feedback on an annual basis.

Major strategic decisions relating to ITBS are communicated to the various management structures by the General Manager Technology Systems on the quarterly IT Steering Committee meeting.

ITBS risk management forms an integral part of Afrimat's overall risk management initiatives.

ITBS risk incidents are reported monthly to the General Manager Technology Systems IT infrastructure manager.

Existing operating software, application software and equipment will be regularly reviewed to ensure optimal performance.

Software version upgrades and enhancements are implemented based on the principle of minimising the risk of operational disruption due to software failures; thus not to be at the forefront of change but rather follow once the integrity of the software have been proven by the software vendor's user community.

In depth formalised user training is provided by the project team and/or external service providers, and/or software vendors during any new project.

Initial training is supplemented with refresher training where required including training of new users.

Extensive user support is provided throughout the project phase of new implementations by the project team. Thereafter user support continues by dedicated support accountants and by the business systems managers.

The concept of super-users is highly desirable and depends on the available skill level and workload of users.

Detailed systems documentation must be maintained of all application software.

Change management process will be followed when any software changes are made.

Detail plans must exist for:

- Hardware Replacement Strategy
- Software Upgrade Strategy
- Network Upgrade Strategy
- Back-ups
- Disaster Recovery Plans
- Continuity Plans
- IT Asset Management
- Risk Management

## **7. Third Parties**

Ensure that for all critical equipment and systems, binding Service Level Agreements (SLA) exist to ensure sustainability of equipment and systems.

Do a thorough service provider evaluations, against a set of criteria, once a year to determine the company exposure to non-sustainable service providers

## **8. IT Compliance**

The ITBS management must ensure that Afrimat comply to Legislation (POPI), the storage of Data history (Financial, Mail, etc.) and the compilation of IT Policies & Standards. Review annually by GM: Technology Systems and reported to Audit & Risk Committee.

Compliance to ITBS control environment to be reviewed at least annually by business systems managers and IT infrastructure manager as part of Afrimat's internal audit processes.

Every 3 (three) years or with significant system changes, suitably qualified independent, external specialists will review the appropriateness and overall ability of networks and support infrastructure to meet the Company's business and growth plans.

### **General**

This governance framework shall be reviewed on an annual basis by the Audit & Risk Committee.

**END.**