



SEPHAKU  
HOLDINGS LTD

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# KING IV APPLICATION REGISTER 2018

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### INTRODUCTION

The Sephaku Holdings Limited (SepHold) applied the King IV code to the furthest possible extent. To enhance application of the principles in the 2019 financial year, the Board commissioned a gap analysis from the Company Secretary. The board engaged management to determine where additional alignment with King IV's recommended practices would be appropriate. The gap analysis identified the following focus areas for FY 2019:

- Incorporate the codes of ethics into the group's third-party supplier agreements
- Develop and implement an overarching group governance framework
- Develop and implement a group stakeholder engagement policy
- Implement a group information and technology governance policy at all levels
- Enhance the board evaluation process
- Enhance the remuneration policy

King IV is not prescriptive on which governance structure should assume responsibility for any particular principle or recommended practice. Therefore, although certain principles will primarily involve the board or a particular committee, the activities of the governance structures will be assessed holistically when considering which additional practices to apply to support the principles. All committee work plans, charters and agendas are being updated in respect of King IV.

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Below is a table summarising the application of the King IV code in the Company as disclosed in the FY 2018 annual report for the period ended 31 March 2018. The register below provides the location of the relevant disclosure in the reporting suite or Company website. The annual report constitutes the integrated annual review ("IAR") and the annual financial statements ("AFS").



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PRINCIPLE	Disclosure requirement as per King IV™	Comment/ Page reference
<b>ETHICAL LEADERSHIP</b>		
<p><b>Principle 1</b> <i>The governing body should lead ethically and effectively</i></p>	<ol style="list-style-type: none"> <li>1. Members of the governing body to individually and collectively cultivate and exhibit integrity, competence, responsibility, accountability and fairness in their conduct</li> <li>2. The arrangements by which the members of the governing body are being held to account for ethical and effective leadership should be disclosed.</li> <li>3. These arrangements would include, but are not limited to, codes of conduct and performance evaluations of the governing body and its members.</li> </ol>	<p>The Board must comply to the Company Code of ethics – <a href="http://www.sephakuholdings.com/our-business/corporate-governance">www.sephakuholdings.com/our-business/corporate-governance</a></p> <p>Board charter – page 63, 70 of the IAR</p> <p>Board evaluation – page 70. Evaluation was internally conducted in FY2018. To utilise external / third party for the FY 2019 evaluation.</p> <ul style="list-style-type: none"> <li>- Board members unanimously agreed that it is ethically and effectively conducting its duties.</li> </ul>
<b>ORGANISATIONAL ETHICS</b>		
<p><b>Principle 2</b> <i>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</i></p>	<ol style="list-style-type: none"> <li>1. An overview of the arrangements for governing and managing ethics.</li> <li>2. Key areas of focus during the reporting period.</li> <li>3. Measures taken to monitor organisational ethics and how the outcomes were addressed.</li> <li>4. Planned areas of future focus.</li> </ol>	<p>SepHold code of ethics applicable to all Company stakeholders – www</p> <p>Reference in the IAR on pages 23, 46,36 and 62. Combined social and ethics committee meetings for the group and operational entities' boards ensure the consistent implementation and monitoring in the group companies.</p>



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PRINCIPLE	Disclosure requirement as per King IV™	Comment/ Page reference
<b>RESPONSIBLE CORPORATE CITIZENSHIP</b>		
<b>Principle 3</b> <i>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</i>	<ol style="list-style-type: none"><li>1. An overview of the arrangements for governing and managing responsible corporate citizenship.</li><li>2. Key areas of focus during the reporting period.</li><li>3. Measures taken to monitor corporate citizenship and how the outcomes were addressed.</li><li>4. Planned areas of future focus.</li></ol>	Reference to the Chairman & CEO's report in the IAR on page 23  The board is actively involved in the development or review of policies that promote responsible corporate citizenship including environmental, equity and management protocols
<b>STRATEGY AND PERFORMANCE</b>		
<b>Principle 4</b> <i>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.</i>	See reporting under Principle 5	Reference to page 13, 14, 36 and 46 of the IAR  The board reviews and approves the strategic plans presented by management. The board considers the overarching elements of risk, stakeholder and operational management to inform the Group's response to the prevailing trading environment.



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PRINCIPLE	Disclosure requirement as per King IV™	Comment/ Page reference
<b>REPORTING</b>		
<p><b>Principle 5:</b> <i>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.</i></p>	<ol style="list-style-type: none"><li>1. The governing body should assume responsibility for the organisation's reporting by setting the direction for how it should be approached and conducted.</li><li>2. The governing body should approve management's determination of the reporting frameworks (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report.</li><li>3. The governing body should oversee that reports such as the annual financial statements, sustainability reports, social and ethics committee reports, or other online or printed information or reports are issued, as is necessary, to comply with legal requirements, and/or to meet the legitimate and reasonable information needs of material stakeholders.</li><li>4. The governing body should approve management's bases for determining materiality for the purpose of deciding which information should be included in external reports.</li><li>5. The governing body should oversee that the following information is published on the organisation's website, or on other platforms or through other media as is appropriate for access by stakeholders including integrated report.</li></ol>	<p>Reference to page 16 – 20 of the IAR for the board's participation in the determination of the material matters.</p> <p>The board determined the direction of reporting and has complied with all the reporting requirements. To access the reports:</p> <p><a href="http://www.sephakuholdings.com/investor-centre/results-and-reports/">www.sephakuholdings.com/investor-centre/results-and-reports/</a></p>



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PRINCIPLE	Disclosure requirement as per King IV™	Comment/ Page reference
<b>ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY</b>		
<b>Principle 6</b> <i>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</i>	The following should be disclosed in relation to the primary role and responsibilities of the governing body: <ol style="list-style-type: none"><li>1. The number of meetings held during the reporting period, and attendance at those meetings.</li><li>2. Whether the governing body is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.</li></ol>	Reference to pages 63 – 64
<b>COMPOSITION OF THE GOVERNING BODY</b>		
<b>Principle 7</b> <i>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.</i>	A brief professional profile of each candidate standing for election at the annual general meeting (AGM), including details of existing professional commitments, should accompany the notice of the AGM, together with a statement from the governing body confirming whether it supports the candidate's election or re-election.	Reference to AGM notice of meeting ("AGMN") -Annexure 2 page 20 Reference to the IAR pages 63 – 67 and 70. Internal and external training provided to members of the governing body to increase their understanding and knowledge of the industry, governance development amongst other objectives.

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	<p>The following should be disclosed with regards to the composition of the governing body:</p> <ol style="list-style-type: none"><li>1. Whether the governing body is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.</li><li>2. The targets set for gender and race representation in the membership of the governing body, and progress made against these targets.</li><li>3. When a non-executive member of the governing body has been serving for longer than nine years, a summary of the views of the governing body on the independence of the member.</li><li>4. The reasons why any members of the governing body have been removed, resigned or retired.</li><li>5. Whether the chair is considered to be independent.</li></ol>	
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COMMITTEES OF THE GOVERNING BODY		
<b>Principle 8</b> <i>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.</i>	<p>The following should be disclosed in relation to each committee of the governing body:</p> <ol style="list-style-type: none"><li>1. Its overall role and associated responsibilities and functions.</li><li>2. Its composition, including each member's qualifications and experience.</li><li>3. Any external advisers or invitees who regularly attend committee meetings.</li><li>4. Key areas of focus during the reporting period.</li><li>5. The number of meetings held during the reporting period and attendance at those meetings.</li><li>6. Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.</li></ol>	Reference to the IAR pages 68 – 69 and 73
	<p>In addition to required statutory disclosure, the following should also be disclosed in relation to the audit committee:</p> <ol style="list-style-type: none"><li>1. A statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation. The statement should specifically address:<ol style="list-style-type: none"><li>a. the policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year;</li><li>b. the tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition,</li></ol></li></ol>	Reference to the Audit and Risk Committee Report on pages 1 – 3 of the AFS  Reference to the IAR pages 68, 70 – 71 as it relates to the audit and risk committee's statutory duties.

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	<p>including the tenure of the predecessor firm;</p> <ul style="list-style-type: none"><li>c. the rotation of the designated external audit partner; and</li><li>d. significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.</li></ul> <ol style="list-style-type: none"><li>2. Significant matters that the audit committee has considered in relation to the annual financial statements, and how these were addressed by the committee.</li><li>3. The audit committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.</li><li>4. The audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.</li><li>5. The audit committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.</li><li>6. The audit committee's views on the effectiveness of the CFO and the finance function.</li></ol>	
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EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY		
<p><b>Principle 9</b> <i>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.</i></p>	<p>The following should be disclosed in relation to the evaluation of the performance of the governing body:</p> <ol style="list-style-type: none"><li>1. A description of the performance evaluations undertaken during the reporting period, including their scope, whether they were formal or informal, and whether they were externally facilitated or not.</li><li>2. An overview of the evaluation results and remedial actions taken.</li><li>3. Whether the governing body is satisfied that the evaluation process is improving its performance and effectiveness.</li></ol>	<p>Reference the IAR on page 70</p>
APPOINTMENT AND DELEGATION TO MANAGEMENT		
<p><b>Principle 10</b> <i>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</i></p>	<p>The following should be disclosed in relation to the CEO:</p> <p>The notice period stipulated in the CEO's employment contract and the contractual conditions related to termination. Other professional commitments of the CEO, including membership of governing bodies outside the organisation. Whether succession planning is in place for the CEO position.</p>	<p>Reference to pages 62, 68, 70 on the IAR as it relates to the delegation of authority and page 73 on the CEO's contract terms.</p>



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RISK GOVERNANCE		
<p><b>Principle 11</b> <i>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</i></p>	<p>In addition, the following should be disclosed in relation to risk:</p> <ol style="list-style-type: none"><li>1. An overview of the arrangements for governing and managing risk.</li><li>2. Key areas of focus during the reporting period, including objectives, the key risks that the organisation faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels.</li><li>3. Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed.</li><li>4. Planned areas of future focus.</li></ol>	<p>Reference pages 13 and 16 on the role of stakeholder engagement in risk assessment and the utilisation of the risk assessment process to determine the material matters.</p> <p>Pages 38 and 49 provide discussion of risk assessment at operational level</p> <p>Page 70 provides the governing body's disclosure on the overarching management of risk.</p>
TECHNOLOGY AND INFORMATION GOVERNANCE		
<p><b>Principle 12</b> <i>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</i></p>	<p>The following should be disclosed in relation to technology and information:</p> <p>An overview of the arrangements for governing and managing technology and information. Key areas of focus during the reporting period, including objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents. Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed. Planned areas of future focus.</p>	<p>Reference to page 71 of the IAR for the description of IT technology at the different group entities.</p>



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### COMPLIANCE GOVERNANCE

**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.*

The following should be disclosed in relation to compliance:

1. An overview of the arrangements for governing and managing compliance.
2. Key areas of focus during the reporting period.
3. Actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed.
4. Planned areas of future focus.

Material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the organisation or on members of the governing body or officers should be disclosed.

Details of monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance should be disclosed.

Reference pages 9, 14, 42, 49 and 52 to understand how environmental management and compliance is approached and implemented in the IAR

Page 71 of the IAR provides disclosure on the governing body's approach on compliance



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### REMUNERATION GOVERNANCE

**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.*

The governing body should ensure that remuneration is disclosed by means of a remuneration report in three parts:

1. A background statement.
2. An overview of the main provisions of the remuneration policy.
3. An implementation report which contains details of all remuneration awarded to individual members of the governing body and executive management during the reporting period.

In the event that either the remuneration policy or the implementation report, or both were voted against by 25% or more of the voting rights exercised, the following should be disclosed in the background statement of the remuneration report succeeding the voting:

1. with whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
2. the nature of steps taken to address legitimate and reasonable objections and concerns.

Reference to the remuneration to pages 73 – 78 of the IAR



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ASSURANCE		
<p><b>Principle 15</b> <i>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.</i></p>	<p>External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements. This information should include:</p> <ol style="list-style-type: none"><li>1. a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report; and</li><li>2. a statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied.</li></ol>	<p>Reference to the IAR page 71</p>
STAKEHOLDERS		
<p><b>Principle 16</b> <i>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.</i></p>	<p>The following should be disclosed in relation to stakeholder relationships:</p> <ol style="list-style-type: none"><li>1. An overview of the arrangements for governing and managing stakeholder relationships.</li><li>2. Key areas of focus during the reporting period.</li><li>3. Actions taken to monitor the effectiveness of stakeholder management and how the outcomes were addressed.</li><li>4. Future areas of focus.</li></ol>	<p>Reference to pages 13 – 17 of the IAR</p>