

King IV application assessment

The following register details each of the 16 principles set out in the King IV Report on Corporate Governance for South Africa 2016 (King IV) and provides commentary regarding the extent to which each principle has been applied by Wilson Bayly Holmes-Ovcon Limited (WBHO). This register confirms the status of the company in this regard for the financial year ended 30 June 2019. For further general information regarding the governance structures and processes of the company, please see the 'Governance' section of the WBHO website.

Summary of progress

For a summary of our progress and the focus areas for the year, please see the Governance section of our Integrated Report, which can be viewed and/or downloaded from the ['Investors' section of our website \(http://www.wbho.co.za/investors\)](http://www.wbho.co.za/investors). Where appropriate, detailed discussion regarding the issue addressed or improvements made is provided in the report of the committee responsible.

Summary of application	
1. Leadership, ethics and corporate citizenship	
Principle 1 The governing body should lead ethically and effectively.	Ethics, values and sustainability form the foundation of the governing body's ("Board's") conduct as indicated in the Board Charter, as well as forming an integral part of the Code of Conduct which guides the Board in leading the organisation. The Board assumes collective responsibility for strategy, policy, oversight and accountability, assuming a stakeholder-inclusive approach in the execution of its governance roles and responsibilities. WBHO has a unitary board structure, comprising of a majority of non-executive directors, independent of management.

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	<p>The Board Charter encapsulates the Board’s overall business philosophy, formalised duties and responsibilities, highlights the characteristics of the Board and individual Board members, sets out the policies, procedures and steps to be followed by the Board pertaining to the discharge of its duties and the conduct of its activities to ensure overall good corporate governance. The Board Charter was reviewed and adopted during the year.</p>
<p>Principle 2</p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>Ethical business practices are set out in the WBHO’s Board-approved Code of Conduct. The Code actively promotes the set of core values covering reputation, quality, cost awareness, teamwork and culture, and serves as a guide to employees of the “The WBHO Way” of conducting business. The Code also discusses employees’ responsibility toward ensuring a safety culture, protection of the environment as well as ethical conduct, how to avoid possible conflicts of interest within specific areas of competence, Competition Act legislation and the duty of confidentiality.</p> <p>The Code affirms the values of responsibility, honesty, fairness and respect and dictates that all actions must be trustworthy and ethical. The Code also obliges all directors, officers and employees to interact with one another and with stakeholders with integrity.</p>
<p>Principle 3</p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The board is ultimately responsible for the key governance processes to ensure sustainable growth and acceptable performance of the Group. The board has delegated to the Social and ethics committee (SEC) its responsibility for monitoring and managing the group’s social and economic development, good corporate citizenship (including the promotion of equality as well as environmental, health and safety), good labour conditions and sound business ethics.</p> <p>The committee’s primary goals are to provide stewardship and to promote social and economic development, good corporate citizenship and risk management practices in WBHO. The committee has adopted an appropriate formalised Terms of Reference.</p>

	<p>Various social, environmental and governance related policies and frameworks are in place to assist with achieving the performance that is required.</p>
<p>2. Strategy, performance and reporting</p>	
<p>Principle 4</p> <p>The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainability are all inseparable elements of the value creation process.</p>	<p>The Board approves and assesses the strategy of the organisation and considers sustainability, risk and performance. Risk, sustainability, performance and strategy are dealt with at each Board meeting and annually at an in-depth strategy meeting where all parameters are taken account of.</p> <p>Over the company’s existence, a conservative and calculated approach to strategy and risk management was adopted. Proposed strategy has a direct correlation to resources and relationships within the various forms of capital. All factors are considered to reach an optimal outcome according to a defined time line. Due to the nature of work and external factors management have a more flexible strategic timeline in place to suit the environment and modify where applicable.</p>
<p>Principle 5</p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and it’s short, medium and long-term prospects.</p>	<p>The reputation that the organisation has gained in the marketplace can be attributed to, in part, on-going effective engagement with all our stakeholders. Our relationships with our stakeholders who we regard as dynamic assets, underpin our ability to create value.</p> <p>The Board, through the Audit Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. The Audit Committee oversees the integrated reporting process and reviews the annual financial statements</p> <p>The annual report including any other information relevant to stakeholders are published on the company’s website, as well as through other media as is appropriate.</p>

3. Governing structures and delegation	
<p>Principle 6</p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board serves as the focal point and custodian of corporate governance in the Group. The Board has a formal charter which it reviews annually. The charter sets out its governance responsibilities and membership requirements. The Board fosters a constructive governance culture and principles, while ensuring that the organisation maintains transparency and accountability. The Board shall always conduct its affairs according to the law.</p> <p>A corporate governance framework and the necessary policies and processes are in place to ensure all African operations entities in the Group essentially adhere to Group requirements and acceptable governance standards. The governance structures and protocols of the Australian and the United Kingdom business are independently managed within each country in line with local governance practices.</p>
<p>Principle 7</p> <p>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>	<p>The board is satisfied that the current composition of the Board is appropriate taking into account the size of the Group. An optimal mix of knowledge, skills, experience, independence as well as racial and gender diversity is present. This is reviewed annually by the Nomination Committee and prior to the appointment of a new director in line with the board appointments policy.</p> <p>The CEO and CFO are members of the Board and the roles of CEO and Chairman are separate. In addition, a lead independent non-executive director is in place who assists the Chairman in the execution of his duties and where the Chairman is absent or unable to perform his duties or where the independence of the Chairman is questionable or impaired, the lead independent non-executive director must serve in this capacity for as long as the circumstances that caused the Chairman's absence, inability or conflict exists.</p>

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	<p>Currently all non-executive directors are required to complete an independence questionnaire annually to establish whether they meet the objective independence criteria as noted in King IV™. In terms of the company’s MOI, one-third of non-executive directors must retire at every annual general meeting and are eligible for re-election.</p> <p>63% of our Board members are non-executive Directors, of which all are independent; 38% of our Board members are black, 25% of our Board members are female and the Board is satisfied that the balance of power and objectivity on the Board is sufficient.</p>
<p>Principle 8</p> <p>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>	<p>Board committees have been established to assist the Board in discharging its responsibilities. The committees of the Board comprise the Audit Committee, the Nomination Committee, the Remuneration Committee, the Social and Ethics Committee and the Risk Committee. The committees are appropriately constituted, with each committee having at least three members appointed by the Board, with the exception of the Audit Committee whose members are nominated by the Board and approved by shareholders. The Nomination Committee reviews the composition of each committee, taking into account factors such as diversity and skills. Each of the committees have approved Terms of Reference in place.</p> <p>The board is also satisfied that the current composition of the board committees contributes to effective collaboration as well as a balanced distribution of power so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.</p>
<p>Principle 9</p> <p>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.</p>	<p>The Board, annually, conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. During the year, an independent evaluation of the performance of the Board as well as the two statutory committees, namely the Audit and Risk as well as the Social and ethics committees, was conducted.</p>

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	<p>Findings and recommendations were communicated to the Board and Chairmen of the Committees. The Board is satisfied that the evaluation process would improve its performance and effectiveness.</p> <p>The company secretary's performance was also evaluated and displayed that there was an arm's length relationship between the board and the company secretary in that the objectivity of the company secretary was not unduly influenced.</p>
<p>Principle 10</p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</p>	<p>The board has approved and implemented a delegation of authority policy, which details the powers and matters reserved for itself and those to be delegated to management via the CEO. The board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced.</p> <p>A delegation of authority framework is in place which addresses all operational aspects of the business and details the levels of authority and required approvals for these.</p>
<p>4. Governance functional areas</p>	
<p>Principle 11</p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The board has direct responsibility for the governance of risk and approves the risk appetite on a regular basis. The board acknowledges the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. This function is fulfilled with the assistance of the risk committee which has its own Terms of Reference.</p> <p>The committee maintains an understanding of the risk universe that needs to be addressed if the group is to achieve its objectives, ensures that a risk profile is compiled by management and monitors the operational and strategic risks of the group.</p>
<p>Principle 12</p>	<p>The Board is responsible for the governance of information technology (IT), assisted by the Audit and Risk committees. An IT governance framework has been approved and</p>

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<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>implemented. IT risk management forms part of the IT governance framework as well as the risk management framework. As such, it is proactively embedded into the risk management process of the company.</p> <p>The IT Steering committee holds quarterly meetings with senior divisional and financial management to ensure that IT is prioritised in accordance with group strategy and the current business needs of the organisation. The committee is responsible for ensuring effective, appropriate IT support and governance.</p>
<p>Principle 13</p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</p>	<p>The board is ultimately responsible for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards.</p> <p>WBHO is made aware of and complies with all relevant legislation and anticipates the statutory requirements of all bills and other regulations. The Social and ethics committee assumes oversight over the compliance function within the group. The compliance function of the group includes a compliance officer assisted by the Company Secretary, internal legal counsel and other assurance providers from the support services of the group.</p> <p>Assessments of legal compliance are regularly undertaken by independent legal experts in key areas of the business in order to provide additional assurance. The compliance function provides guidance and assurance to WBHO and the Board and its relevant committees on the level of compliance within the organisation, while also promoting a corporate culture of compliance.</p>
<p>Principle 14</p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to</p>	<p>The board, assisted by the Human Resource head of department and the Remuneration Committee, ensures that executives and general staff are remunerated fairly and responsibly. Remuneration is determined by management with reference to the remuneration policy and with oversight from the Remuneration committee. Sustainability performance indicators and</p>

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<p>promote the achievement of strategic objectives and positive outcomes in short-, medium- and long-term.</p>	<p>the achievement of targets influence the performance-based remuneration of senior executives.</p> <p>For a detailed disclosure on remuneration, please refer to the comprehensive Remuneration report included in WBHO’s Integrated Report for the year under review as well as our Remuneration policy which can be found on the group’s website.</p>
<p>Principle 15</p> <p>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>	<p>WBHO uses a combined assurance model to provide assurance from management and from internal and external assurance providers. The combined assurance oversight role was relocated from the Audit committee to the Risk Committee during the 2019 financial year. The Risk committee considered the combined assurance framework and plans. Overall, the Committee was satisfied with the combined assurance framework and work conducted.</p> <p>The compliance function provides guidance and assurance to WBHO and the Board and its relevant committees on the level of compliance within the organisation, while also promoting a corporate culture of compliance. It ensures that all business, legislative and administrative processes and procedures are implemented, monitored and adhered to, thereby reducing the potential for reputational risk. WBHO has a zero risk appetite for regulatory non-compliance</p>
<p>5. Stakeholder relationships</p>	
<p>Principle 16</p> <p>In the execution of its governance roles 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.</p>	<p>The board is responsible for strategic leadership and guidance and ensuring that the company remains a robust, successful business, responsive to stakeholders and accountable to shareholders. Our interaction with stakeholders covers a wide variety of groups including individuals, communities and organisations that are most affected by, or most likely to influence, our business. Engagement with our stakeholders is aimed at building mutually beneficial relationships. A number of channels are employed in communicating with stakeholders to ensure that the message is conveyed in an appropriate manner and in line with legal requirements.</p>

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	<p>The Social and Ethics Committee is delegated the responsibility to monitor the adequacy and frequency of the Company's stakeholder engagement and ensures the fair treatment of stakeholders. Furthermore, the Company aims to treat all its stakeholders fairly and will strive to enhance and develop products, services and communication channels to meet their expectations.</p>
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