

# STENPROP

## 2018 KING IV GOVERNANCE OUTCOMES REPORT

Stenprop Limited (the 'Company' or the 'Group') supports the principles and practices set out in the King IV Report (the 'Code') on Corporate Governance for South Africa 2016.

### Leadership, Ethics and corporate citizenship

Principle	How principle is applied
1. Leadership - The Board should lead ethically and effectively	The Directors of the Company hold one another accountable for decision-making and ethical behaviour. The Board endorses the principles of integrity, competence, responsibility, accountability, fairness and transparency and is responsible for the effective and efficient execution of delivering the Company's strategy. It has adopted a Charter that clearly outlines the division of responsibilities, and sets out the practices and processes the Board follows to discharge its responsibilities. The Charter is reviewed at least on an annual basis by the Board and updated as deemed necessary.
2. Organisational ethics - The Board should govern the organisation's ethics in a way that supports the establishment of an ethical culture	<p>The Board has constituted a Social and Ethics Committee which is responsible for the monitoring and governance of the ethics of the Company. The responsibilities of the Social and Ethics Committee are outlined in the Terms of Reference.</p> <p>The implementation and execution of the code of conduct and ethical policies is delegated to management. This includes guidelines on interaction with stakeholders and the addressing of key ethical risks to the organisation.</p>
3. Responsible corporate citizenship - The Board should ensure that the organisation is and is seen to be a responsible corporate citizen	<p>The Board together with the Social and Ethics Committee is responsible for monitoring that the Group is, and, is seen to be, a responsible corporate citizen.</p> <p>The Board fully recognises the fact that robust corporate governance practices enhance both shareholder value and the long-term sustainability of the business. As such, the Company's governance structures and processes are regularly reviewed to make certain that they support effective and ethical leadership, good corporate citizenship and sustainable development. In addition, the Board is responsible for ensuring compliance with requirements and regulations and the successful application of good governance practices. The Group's impact on the environment, society, economy and people is assessed regularly.</p>

**Strategy, Performance and Reporting**

Principle	How principle is applied
<p>4. Strategy and performance - The Board 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</p>	<p>The Board assumes responsibility for organisational performance and delivery of the approved strategy. It steers management and delegates to it the formulation and development of the Group's short, medium and long-term strategy. The Board is responsible for ensuring that the strategy aligns with the Company's core strategic objectives.</p> <p>The Company's ability to create value in a sustainable manner is by virtue of the allocation of its key capital resources to generate the highest risk-adjusted return.</p> <p>As part of its responsibility to oversee performance, the Board regularly reviews the financial soundness of the Company including the liquidity and solvency thereof, and its status to continue as a going concern.</p> <p>The Audit and Risk Committee assists the Board with the governance of risk and continuously monitors risks with the aim of ensuring that the various migrating controls are successfully implemented. The most significant risks faced by the Group, and associated mitigating factors are disclosed in a risk management matrix in the Integrated Annual Report.</p> <p>This responsibility is contained in the Board Charter and the Terms of Reference of the Audit and Risk Committee.</p>
<p>5. Reporting - The Board 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</p>	<p>The Board is responsible for overseeing the issue, on an annual basis, of a standalone Integrated Annual Report, which provides a holistic view of the organisation's strategy, governance and performance. All content in the Integrated Annual Report is approved by the Board.</p> <p>The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.</p> <p>The Integrated Annual Report, containing the audited financial statements and Corporate Governance disclosures can be found on the Company's website.</p>

## Governing structures and Delegation

<b>Principle</b>	<b>How principle is applied</b>
<p>6. Primary Role and Responsibilities of the Board - The Board should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The Board is the focal point and custodian of corporate governance within the Group. The Board assumes responsibility for organisational performance and exercises its leadership by steering management and ensuring that the approved strategy aligns with the Company's core strategic objectives. The Board is responsible for ensuring that the strategy is implemented and delivered successfully.</p> <p>The Directors have adopted a Charter that clearly specifies the division of responsibilities and sets out the practices and processes that the Board follows in order to discharge its responsibilities. The Charter specifically sets a description of roles, functions, responsibilities and powers of the Board, the shareholders, the Chairman, individual directors, the company secretary and any prescribed officers and executives of the Company.</p> <p>Its role and responsibilities and the way that it executes its duties and decision-making are documented and are set out in the Board Charter. The Board discloses in the Integrated Annual Report the number of meetings held during the reporting period, and attendance at those meetings.</p> <p>The Board has unrestricted access to the external auditors, professional advisors, the services of the company secretary, the executives and the staff of the Company at any given time. Should a director require independent professional advice on any matters, the Board has agreed that this may be taken at the Company's expense.</p> <p>The independent non-executive directors bring independent judgement to issues tabled at Board meetings including Company strategy, performance and standards of conduct. Where appropriate, they constructively challenge the executives and ensure that the obligations towards the Company's stakeholders are met. The minutes record any unresolved issue raised by the non-executive directors, should they arise.</p>

<b>Principle</b>	<b>How principle is applied</b>
<p>7. Composition of the Board - The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence needed to discharge its role and responsibilities objectively and effectively</p>	<p>The Board is responsible for the composition of the Board and is satisfied that there is the necessary balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. The Board's effectiveness is assessed through an annual assessment process. The knowledge and skills set are evaluated with a view to continued improvement in the Company's performance and effectiveness.</p> <p>The Board comprises a majority of non-executive members, most of whom are independent as defined by the Code.</p> <p>The CEO, who is not the Chairman, and the CFO are members of the Board and ensure that it has direct interaction with management. There is a clear balance of power to ensure that no individual/s have undue decision-making powers.</p> <p>The Board is chaired by an independent non-executive member. In addition, the Board has appointed an independent non-executive member as the lead independent. The role and responsibilities of these positions is documented in the Board Charter.</p> <p>The Board recognises that it should be comprised of individuals with diverse backgrounds (including age, core expertise, gender and social diversity) who have a high degree of competency, integrity, skill, capacity, experience and commitment to discharge their duties and responsibilities and has set targets for gender representation in its membership.</p> <p>The Company has a nominations committee which leads the process for Board appointments and makes recommendations to the Board. It is also responsible for keeping the structure, size and composition of the Board under regular review. All nominations are considered, and director appointments made, in a formal and transparent manner in accordance with the Company's policy for appointments to the Board. The appointment of all directors is minuted, published on the respective exchanges and disclosed on the Company's website. The Bye-Laws of the Company provide that the Board may appoint directors provided that any such appointment is confirmed by the shareholders of the Company at the first annual general meeting ('AGM') following the appointment. In addition, one third of the non-executive directors retire by rotation at each AGM and being eligible, may stand for re-election. A brief professional profile of each candidate standing for election at the AGM is included in the Integrated Annual Report which accompanies the notice of the AGM.</p> <p>Each member of the Board is required to declare to the Board all interests and any conflicts of interest that are managed in accordance with the Board Charter.</p>

Principle	How principle is applied
<p>8. Committees of the Board - The Board should ensure that its arrangements for delegation within its structures promote independent judgement, and assist with balance of power and the effective discharge of its responsibilities and duties</p>	<p>The Board and its committees comply with applicable corporate governance requirements. A Board Charter has been adopted which clearly outlines the division of responsibilities, and sets out the practices and processes the Board follows to discharge its responsibilities to respective committees and management. Each committee has clear Terms of Reference which have been approved by the Board and which clearly define their composition, responsibilities, decision-making authority, and access to information and meeting procedures.</p> <p>Executive directors and/or management may be invited to attend Board committee meetings as and when deemed appropriate or necessary.</p> <p>The Audit and Risk Committee, chaired by an independent non-executive member, is satisfied that the auditor is independent and monitors the level of non-audit services are performed by the auditor.</p> <p>The Chief Financial Officer oversees the finance function and is assisted by suitably qualified staff. An assessment of the effectiveness of the Chief Financial Officer's performance is conducted annually by the Audit and Risk Committee, and confirmed in the Integrated Annual Report.</p>
<p>9. Performance evaluations - The Board 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 charter requires the Board to perform an annual Board assessment. Assessments of the performance of the Board, its committees and the company secretary are conducted annually by way of internal evaluation processes with a view to support continued improvement.</p>
<p>10. Appointment and delegation to management - The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>The CEO's appointment and duties complies with the recommendations under King IV.</p> <p>Detailed delegation of authority is included in the Board Charter. The Board is satisfied that the Group is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The Board is satisfied that it has necessary access to professional and independent guidance on corporate governance and its legal duties. All directors have access to the advice of the company secretary, in-house legal resources and external professional corporate governance administrators, if required.</p> <p>The qualifications, experience and competence of the company secretary, the individual persons who perform the company secretary role as well as the directors and shareholders of the company secretary, are considered on an annual basis. After careful consideration these attributes were deemed appropriate by the Board. The directors further concluded that the relationship with the company secretary is at arm's-length and there is no conflict of interests.</p>

## **Governance Functional Areas**

<b>Principle</b>	<b>How principle is applied</b>
<p>11. Risk governance - The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>The Board has overall responsibility for determining the risk appetite of the Company and for the adoption and oversight of the risk management plan. The Board is conscious of the risks associated with the strategy, performance and sustainability of the Group. The Audit and Risk committee assists the Board with the governance of risk.</p> <p>The Company has adopted a risk management plan which aims to identify, assess, manage and monitor risks in accordance with the level of risk that the Board is willing to tolerate.</p> <p>The Audit and Risk Committee delegates to management the duty to continuously identify, assess, mitigate and manage risks within the existing operating environment. Appropriate internal risk management and control systems are in place to mitigate these risks which are monitored on a continuous basis.</p>
<p>12. Technology and information governance - The Board should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>The Board, together with the Audit and Risk Committee, oversees both technology and information governance. Whilst the Board is ultimately responsible for the governance of information and technology, it is management's responsibility to ensure that appropriate processes exist to ensure robust information governance, together with timely, complete, accurate and appropriate IT reporting. It is understood that good IT and information governance is core to achieving the objectives of the Company.</p>
<p>13. Compliance governance - The Board 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</p>	<p>The Board, assisted by the company secretary and in-house legal resources monitors compliance with the various regulations that the Group is subject to comply with. There are no material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations.</p>

<b>Principle</b>	<b>How principle is applied</b>
14. Remuneration governance - The Board 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	<p>The Board, assisted by the Remuneration Committee ensures that staff are remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. This responsibility is contained in the Terms of Reference of the Remuneration Committee.</p> <p>A formal Remuneration Policy is in place which complies with the requirements of the Code and is aligned with the Company's remuneration philosophy. A Remuneration Implementation Report with regard to the implementation of the remuneration policy is disclosed in the Integrated Annual Report in line with the recommendations of the Code.</p> <p>The Remuneration Policy and the Remuneration Implementation Report will be tabled annually at the AGM for separate non-binding advisory votes by shareholders. In the event that either the Remuneration Policy or the Remuneration Implementation Report, or both, are voted against by 25% or more of the votes exercised, the Board is committed to engaging with shareholders to address all reasonable and legitimate concerns.</p>
15. Assurance - The Board 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>The Board has overall responsibility for assurance. This responsibility is delegated to various committees and is contained in the Board Charter and the Terms of Reference of the Audit and Risk Committee.</p> <p>The Board is satisfied that the assurance services and functions provided effectively cover the organisation's significant risks, enable an effective control environment and support the integrity of reports for better decision-making. There is no requirement for a dedicated internal audit function at present. The Audit Committee re-evaluates this on a regular basis.</p>

**Stakeholder relationships**

<b>Principle</b>	<b>How principle is applied</b>
16. Stakeholders - In the execution of its role and responsibilities, the Board 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>Stakeholder engagement is considered integral in driving long-term sustainability and shareholder value. It provides the opportunity to align expectations and practices. Various stakeholder groups have been identified and the Board balances their legitimate and reasonable needs, interests and expectations.</p> <p>The Board oversees proactive engagement with shareholders, including engagement at the AGM of the company.</p>