



**KING IV APPLICATION REGISTER
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021**

This document sets out the application of the corporate governance principles by Reatile Group (Pty) Limited (“the Group”) as recommended by the King IV Report on Corporate Governance™.

LEADERSHIP

PRINCIPLE 1: The governing body should lead ethically and effectively

The Group’s Board of Directors (the Board) is the governing body and provides effective leadership resulting in the achievement of strategic objectives of the Group by embodying the ethical characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

The directors hold one another accountable to conduct business, make decisions and discharge their responsibilities, as stipulated in the Memorandum of Incorporation (“MOI”) and Board Charter, ethically and effectively. The Board exercises control through the governance framework which includes detailed regular reporting to the Board and its Committees. The Group’s subsidiaries have adopted the Group’s policies specifically with regards to governance, risk, information and technology, compliance and remuneration.

During the year, the Board reviewed and approved the Board Charter which purpose is to provide an overview of the roles, responsibilities, functions and powers of the board, the powers delegated to the board committees, relevant principles of the Group’s limits and delegations of authority and policies and practices of the board in respect of governance.

ORGANISATIONAL ETHICS

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

The Board, assisted by the Social & Ethics Committee, is responsible for the governance of ethics in the Group.

The Board approves the codes of conduct and policies that clearly articulates the ethical business conduct required when interacting with identified stakeholders and addressing key ethical risks in the organisation. Codes of conduct and policies are published internally for all employees and compliance training is provided for risk areas identified.

Management has been delegated the responsibility for implementation and execution of the codes of conduct and policies. The whistle-blower hotline is outsourced and managed externally by Deloitte & Touché. Access to the whistle-blower hotline is published on the Group and subsidiary websites and is available to all stakeholders to report unethical behaviour anonymously without the fear of victimisation. In addition, management of subsidiaries are invited to the Social & Ethics Committee to raise, detect and resolve ethical breaches.

RESPONSIBLE CORPORATE CITIZENSHIP

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

The Board, assisted by the Social & Ethics Committee, is responsible for the governance and activities relating to demonstrating that the Group is a good corporate citizen and includes compliance with the Constitution of South Africa, the laws and legislation, standards and Group specific codes of conduct and policies.

The Board approves Group policies and monitors performance against measures and targets in areas of:

- Workplace (including employment equity, remuneration, health, safety and development of employees).
- Economy (including transformation and prevention, detection and response to fraud and corruption).
- Society (consumer protection, community development, protection of human rights); and
- Environment (including responsibility in respect of pollution, waste disposal and environmental affairs).

STRATEGY AND PERFORMANCE

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.

The Board is responsible for organisational performance and sets the direction for realisation of the Group's purpose and values through its strategy.

Management has been delegated the responsibility to formulate and develop the organisational short, medium- and long-term strategy considering associated risks and opportunities, which is approved and monitored by the Board against key performance measures and targets regularly. As part of this oversight of performance, the Board continually monitors the general viability of the Group with regards to its reliance on capital, its solvency and liquidity and its status as a going concern.

The Board, assisted by the Investment Committee, if applicable, will approve any acquisitions, investments or disposals in terms of the approved investment criteria matrix in terms of the delegation of authorities' matrix.

REPORTING

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 Board, assisted by the Finance & Risk Committee, ensures the necessary controls are in place to verify the integrity of the annual financial statements and other disclosures and reports.

The Group complies with all required disclosures. The audit plan and materiality is reviewed by the Finance & Risk Committee and recommended for approval by the Board to ensure compliance with standards, legislative and regulatory requirements.

PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY

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

The Board steers the Group and sets its strategic direction through approving strategy and policies, monitoring the implementation and execution by management and ensuring accountability for performance by means of regular transparent reporting and disclosures.

The Board's role, responsibilities, composition requirements and procedural conduct is stipulated in the MOI and is regularly reviewed to assess its effective functioning.

Every two years, the Group appoints Rödl & Partner Inc. to conduct a statutory health check review to assess the Board's fulfilment of its responsibilities in terms of legislation, regulations and the policies and practices stipulated in the MOI and Committee Terms of References. The last review was conducted during the 2020 financial year and found it compliant and satisfactory. The next statutory health check review is scheduled to take place during the 2022 financial year.

In terms of the Board Charter, a formal internal assessment of the Board, the individual Board members and the Board sub-committees is required every two years. During the 2021 financial year, the Board assessment was conducted successfully and resulted in a high overall score, with minor improvements identified. The next Board assessment is scheduled to take place in 2023.

COMPOSITION OF THE GOVERNING BODY

PRINCIPLE 7: The governing body should compromise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board is satisfied that the current composition of the Board, taking into account the size of the Group, is the optimal mix of diversity, knowledge, skills, experience, independence, the requirements in numbers for its committees, quorum requirements and regulatory requirements. During the 2021 financial year, the Board appointed a Chief Executive Officer which, together with the Executive Chairman, ensures the Board composition now includes two executive appointments to ensure the Board has more than one point of direct interaction with management. The role of the Chief Executive Officer and Chairman are separate. 60% of the Board members are non-executive Directors, of which 67% are independent. 40% of the Board is black, and 40% of the Board are female. The Board is satisfied that the balance of power and objectivity of the Board is sufficient.

The nomination, election and appointment of board members are governed by the policies and practices stipulated in the MOI and the Board Charter, which is a formal and transparent process. Board members are re-elected at each AGM.

Subject to legal provisions, Board members' declarations of interests are tabled at every Board meeting and are formally updated when a change occurs. At the beginning of meeting of the Board and its committees, all members are required to declare whether any of them has any conflict of interest in respect of a matter on the agenda. Any such conflicts are proactively managed as determined by the Board and subject to legal provisions.

The Chairman of the Board is elected in terms of the policies and practices as stipulated in the MOI and the Board Charter. The roles and responsibilities of the Chair is also documented in the MOI and Board Charter. The Chairman of the Board is not a member of the Finance & Risk Committee. The Chairman of the Board is a member but not the Chair of the Social & Ethics Committee and the Remuneration Committee.

COMMITTEES OF THE GOVERNING BODY

PRINCIPLE 8: The governing body should ensure that its arrangements for delegation within its own structure promote independent judgement, and assist with balance of power and the effective discharge of its duties

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The Board established several committees to assist in discharging its responsibilities as stipulated in the Companies Act, the MOI and the Board Charter. Each committee has a formal terms of reference, approved by the Board, recording the responsibilities delegated to it. Details of the members of the committees are published on the Group's website. During the 2019 financial year, the FRC and SEC internally reviewed the performance of the committees and its members against the respective terms of reference and legislative requirements and is compliant and satisfactory.

The **Finance & Risk Committee ("FRC")** primarily provide independent oversight of the assurance functions and on the integrity of the annual financial statements and other external reports as delegated by the Group. In addition, the FRC is responsible for establishing the IT governance framework and risk management framework for the Group, to mitigate risks. The FRC members are non-executive directors and observers of the Board, with the Chief Executive Officer and Chief Financial Officer attending as invitees.

The **Remuneration Committee ("RC")** is responsible for oversight of remuneration, the governance and implementation of the remuneration policies of the Chairman and non-executive directors. The RC members and the RC Chairman are independent non-executive directors, with the Executive Chairman and Chief Executive Officer of the Group attending as invitees..

The **Social & Ethics Committee ("SEC")** has been established to carry out its statutory duties as well as the remuneration governance relating to executives and general staff. The Chairman of the SEC is a non-executive director of a wholly owned subsidiary Board. The other members of the SEC comprise of one non-executive director of the Board, one executive director of the Board and one executive of the Group, with the Chief Executive Officer, Chief Financial Officer of the Group and the Managing Directors of all wholly-owned subsidiaries attending as invitees

The **Investment Committee ("IC")** is only established as and when the Board collectively agrees the need for such a committee in terms of the MOI. During the 2021 financial year, all investment and acquisitions pursued were approved by the Board directly in terms of the investment criteria matrix.

Each Subsidiary Board is required to establish an **Executive Committee ("EXCO")** which is the management team to which the Group Board delegate responsibilities to in terms of performance, governance and policies.

EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY

PRINCIPLE 9: The governance 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 conducts an evaluation process on its effectiveness, the Chairman, its committees and individual directors at least every two years.

In terms of the Board Charter, a formal internal assessment of the Board, the individual Board members and the Board sub-committees is required every two years. During the 2021 financial year, the Board assessment was conducted successfully and resulted in a high overall score, with minor improvements identified. The next Board assessment is scheduled to take place in 2023.

APPOINTMENT AND DELEGATION TO MANAGEMENT

PRINCIPLE 10: The governing body should ensure that the appointment of, and delegation to, management contribute role clarity and effective exercise of authority and responsibilities.

The Board appointed a Chief Executive Officer during the 2021 financial year end. The Chief Executive Officer is accountable, and report to the Board. The Chief Executive Officer is not a member of the Remuneration Committee, Finance & Risk Committee or Social & Ethics Committee, but attend by invitation.

During the 2021 financial year, the Board approved the succession plan for the Chairman and the monitoring is ongoing. [The succession plan for the newly appointed CEO will be concluded during the 2021 financial year.](#)

The Board has approved and implemented a Delegation of Authority matrix, which details the powers and matters for itself and those to be delegated to management. The Board ensures that key management functions are led by a competent and appropriately authorised individuals and are adequately resourced.

The Board [agreed for Rödl & Partner Inc. to continue in their role as](#) professional corporate governance service providers. The Board further believes the arrangement with Rödl & Partner Inc. is still effective in upholding the governance of the Group.

RISK GOVERNANCE

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

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The Board, with the assistance of the Finance & Risk Committee, is responsible for the governance of risk and sets direction for how risks are approached and addressed in the Group considering opportunities and associated strategic risks.

The Board delegated to management the responsibility to implement and execute effective risk management. During the 2021 financial year, the Board, assisted by the Finance & Risk Committee, regularly reviewed the risk register in terms of the approved formalised Risk Governance Framework to affectively mitigate and manage risks. The Risk Governance Framework was also reviewed and approved by the Board, with the next scheduled review planned for 2023.

TECHNOLOGY AND INFORMATION GOVERNANCE

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

The Board, together with the Finance & Risk Committee, is responsible for the governance of IT by setting the direction of how technology and information is approached and addressed in the Group considering:

- Integration of all IT resources across the Group.
- Management of the performance and risks pertaining to outsourced service providers.
- Assessment of the value delivered to the Group through significant investment in IT, including significant operational expenditure and ad hoc IT projects.
- Ethical and responsible use of technology and information.
- The protection of privacy of personal information.
- The continual monitoring of security of information.
- The technology architecture that enables the achievement of strategic and operational objectives.

The Board reviewed and approved the formalised IT Governance Framework during the 2021 financial year, and the next scheduled review is planned for 2023. The Board delegated to management the responsibility to implement and execute effective IT management.

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 it supports the organisation being ethical and a good corporate citizen

The Board, with the assistance of the Finance & Risk Committee and the Social & Ethics Committee, ensures that the Group complies with applicable laws and adopted, non-binding rules, codes and standards. The Social & Ethics Committee implemented a legislation compliance matrix to ensure compliance.

The Board delegated to management the responsibility to implement and execute effective compliance management.

During 2021, there were no material penalties or fines for contravention of or non-compliance with statutory and regulatory obligations.

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 short-, medium-, and long-term.

The Board, assisted by the Social & Ethics Committee and the Remuneration Committee, is responsible the governance of remuneration on a Group-wide basis.

The Board, assisted by the Social & Ethics Committee, ensures approved policies relating to remuneration are designed to attract and retain human capital, promote the achievement of strategic objectives, positive outcomes, an ethical culture and responsible corporate citizenship.

The Board delegated to the Committees the responsibility to implement and execute remuneration policies to achieve the objectives of the Group.

ASSURANCE

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.

The Board, assisted by the Finance & Risk Committee, is responsible for assurance by:

- Enabling an effective internal control environment;
- Supporting the integrity of internal and external reports and information used for decision making;
- Selection, management and monitoring of service providers such as external auditors, internal auditors, specialists, etc.

The committees and the Board receive regular reports and updates from the external audit engagement partner, the Chief Executive Officer, the Chief Financial Officer, in respect of the issues as set out above.

STAKEHOLDERS

PRINCIPLE 16: 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 interest of the organisation over time.

The Board, assisted by the Social & Ethics Committee, is responsible for the governance of stakeholder relationships by:

- Clearly articulating stakeholder conduct in relevant Group policies;
- Exercising ongoing oversight of stakeholders in terms of identification, materiality, risks, engagement and communication and quality of relationships including Shareholder relationships;
- Setting direction for how the relationships and exercise of power within the Group is conducted and policies are adopted.

During the 2021 financial year, the Board reviewed the Stakeholder Governance Framework as recommended by the Social & Ethics Committee, and continues to regularly review the stakeholder matrix, with the next review scheduled for 2023.



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RESPONSIBILITIES OF INSTITUTIONAL INVESTORS

PRINCIPLE 17: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests

Not applicable, the Group is not an institutional investor.

REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS OF REATILE GROUP (PTY) LIMITED ON THE 4TH MARCH 2021