

tiso blackstar group.

**Tiso Blackstar Group SE
(Registration No: SE 000110)**

King IV Report on Corporate Governance

Policy 2017

Application of King IV Report on Corporate Governance for South Africa 2017

Tiso Blackstar Group SE (“Tiso Blackstar” or the “company” or the “group”) moved its primary listing to the Main Board of the JSE on 13 July 2017. Accordingly, the group is required to disclose the extent to which it applies the principles of the latest King IV Report on Corporate Governance (“King IV”). For convenience, we have segmented our governance report under the King IV principles.

The group is committed to the principles of King IV and continues to develop its policies, practices and procedures in line with an integrated governance, risk and compliance framework. The board is satisfied that every effort has been made in 2017 to apply all relevant, material aspects of King IV.

Principle 1 - The governing body should lead ethically and effectively.

The board is committed to applying and enforcing applicable corporate governance principles. As such, it continues to develop and review its governance policies, practices and procedures in line with an integrated governance, risk and compliance framework. The directors recognise that sound corporate governance practices enhance both shareholder value and the long term sustainability of the business.

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 has adopted a number of key policies that provide guidelines on how ethics should be approached and addressed by the organisation and its stakeholders. The board appoints a Social, Ethics and Transformation Committee to assist the board in fulfilling this corporate responsibility. The Social, Ethics and Transformation Committee has to monitor the company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to social and economic development.

Principle 3 - The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The concept of responsible corporate citizenship is integrated into our company strategy, and its principles underpin all key aspects of our business. The board, with the support of the Chief Executive Officer and together with the management team oversees and monitors how the operations and activities of the company affect its status as a responsible corporate citizen.

Principle 4 - The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development which are all inseparable elements of the value creation process.

The board informs and approves the group strategy which is aligned with the purpose of the company. The board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and ensures that the company accounts for its performance, reporting and disclosure. More details regarding the company's performance against its strategic objectives are reported in the Integrated Annual Report.

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, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the Integrated Annual Report and any other disclosures. The company complies with all required disclosures. Reporting frameworks and materiality are approved by the Audit and Risk Committee to ensure compliance with legal requirements and relevance to stakeholders.

The Audit and Risk Committee oversees the integrated reporting process and reviews the audited financial statements.

Principle 6 - The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The board regards governance as fundamental to the success of the company. It is committed to applying the principles of good governance in directing and managing Tiso Blackstar to achieve its strategic objectives.

The board is the focal point for, and custodian of, the company's governance framework through its committee structures, and its relationship with management, shareholders and other stakeholders. The board remains ultimately accountable for the performance and affairs of the company.

The board and its committees are responsible for maintaining a high standard of corporate governance to ensure the group's business is conducted with integrity. It ensures the group complies with all relevant laws and regulations, and maintains effective operating systems and controls under a robust and informed risk management.

A group policy stipulates a clear balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making. Directors have access to complete, accurate and timely information to fulfil their responsibilities, and all material matters are reported to the board.

Principle 7 - 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.

The board, with the assistance of the Remuneration and Nomination Committees, considers on an annual basis its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.

Principle 8 - 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.

The board met four times during the review period. Its paramount responsibility is the positive performance of the company in creating value by setting direction through strategic objectives and key policies. In doing so, the board appropriately considers the legitimate interests and expectations of all stakeholders.

The company has a unitary board structure, with five non-executive directors (three of whom are independent non-executives as defined by King IV) and one executive director, the Chief Executive Officer.

Non-executive directors are drawn from diverse backgrounds and bring a range of experience, insight and professional skills to the board to ensure effective leadership of the company. Generally, non-executive directors have no fixed term of appointment. Under the company's Articles of Association, a third of directors retire by rotation each year and are eligible for re-election by shareholders at the Annual General Meeting. There is no set retirement age for non-executive directors.

King IV recommends that the independence of any director serving more than nine years be assessed. The board has a policy setting out a formal and transparent process for appointing new directors. The Nomination Committee considers director succession planning and makes appropriate recommendations to the board. It evaluates skills, knowledge, gender, race and experience required to implement the group strategy.

Principle 9 - 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.

The Nomination Committee annually evaluates the performance of the board and its committees against their mandates. The performance of each director is evaluated by the board. In addition, the independence of each director is evaluated as detailed below.

The annual evaluation process showed the board and its committees functioned well and discharged their duties per their mandates.

The Nomination Committee adopted and approved a gender diversification policy. In identifying suitable candidates for appointment to the board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at board level. The Nomination Committee will continue to discuss and annually agree all measurable targets for achieving gender diversity on the board.

Assessment of independence

The independence of directors is reviewed annually by the Nomination Committee, after detailed analysis of the circumstances of all independent non-executive directors. The Nomination Committee has satisfied itself that these directors meet the criteria for independence in terms of King IV.

Induction of directors

A formal induction process for directors is in place. On appointment, they receive recent board and committee documents, information on legal and governance obligations, the company's Articles of Association and recent reports. Guidance is provided on the requirements of the JSE, AIM, King IV, United Kingdom Companies Act 2006 (as amended) and the South African Companies Act. Directors are entitled to seek independent legal advice at the cost of the company.

Rotation of directors

In terms of the company's Articles of Association, one-third of non-executive directors retire by rotation each year and are eligible for re-election by shareholders at the Annual General Meeting.

Director training and development

All directors are expected to keep abreast of trends in the business and in the group's environment and markets. Site visits to our operations are regularly arranged to familiarise directors with operational and environmental aspects. Experts and consultants are invited to present to directors at board and strategy meetings to ensure directors receive the necessary training and skills to perform their duties.

Principle 10 - 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.

The board conducts its business in line with the principles of King IV, which include exercising discipline, independence, responsibility, fairness, social responsibility and transparency, as well as the accountability of directors to all stakeholders. The board has a formal policy setting out the roles and responsibilities of directors. In summary, key responsibilities include:

- Ensure the company has an effective and independent Audit and Risk Committee;
- Contribute to and approve the strategic direction of the company;
- Satisfy itself that the strategy and business plans for achieving the group's objectives do not give rise to risks that have not been thoroughly assessed by management;
- Ensure the strategy will result in sustainable outcomes, taking into account financial, environmental and social objectives as approved by the board;
- Ensure the integrity of the company's Integrated Annual Report;
- Report on the effectiveness of the company's system of internal controls;
- Be responsible for the governance of risk through effective risk management practices, including regularly reviewing and evaluating risks to the company;
- Ensure the company is, and is seen to be, a responsible corporate citizen; and
- Identify, manage and monitor any gaps between stakeholder perceptions and the performance of the company to manage its reputation.

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

The board has delegated this function to the Audit and Risk Committee, which regularly reviews significant risks and mitigating strategies and reports to the board on material changes in the group's risk profile. The risk management process is facilitated by the assurance services but overall accountability and responsibility for risk management rests with the board of directors and the Audit and Risk Committee.

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

Information and technology (IT) governance is integrated in group operations, and the board has formally delegated responsibility to the Audit and Risk Committee.

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 company uses independent service providers to assure various aspects of our operations, including elements of external reporting. Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws in the various jurisdictions of the business. The concept of sustainability guides our strategy, and informs our business operations. At all times, we are guided by global standards of best practice and responsible corporate citizenship.

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 Tiso Blackstar remuneration policy is designed to align the interests of management and employees with those of stakeholders by rewarding value creation.

Our philosophy aims to attract and retain top-quality employees, create a performance environment where success is rewarded and maintain Tiso Blackstar's entrepreneurial culture. Remuneration must be fair, equitable to contractual services performed, individual and company success, and in line with the individual's contribution to group performance.

To meet these requirements, Tiso Blackstar uses a three-tiered approach:

- Guaranteed pay for contractual services performed by employees;
- Short term bonus determined by the individual achieving key performance indicators ("KPIs"), driven by individual and business performance; and
- Long term incentives to reward employees for long term gains by shareholders.

Tiso Blackstar discloses the remuneration of each director and prescribed officer individually in its Integrated Annual Report.

In line with the recommended practices in King IV, both the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by the shareholders for the first time at the Annual General Meeting in November 2017.

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 Audit and Risk Committee is responsible for the quality and integrity of the company's integrated reporting. The Audit and Risk committee assists the board in discharging its duties and makes recommendations to the board on guarding assets, ensuring systems controls and reporting processes operate adequately, and ensuring the preparation of accurate reporting and financial statements in compliance with all applicable legal and regulatory requirements and accounting standards. This is a statutory committee with an independent role. It is accountable to both the board and shareholders.

The group maintains a system of internal financial control that is designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business.

Principle 16 - 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.

We are committed to working with our stakeholders to understand their needs and concerns, and to integrate this into our business. This requires us to stay abreast of the ever-changing landscape of relationships among our diverse group of stakeholders. Our systems and processes ensure stakeholders are actively engaged and legitimate issues are considered in our decision-making processes. We aim to identify, manage and monitor any gaps between stakeholder perceptions and the performance of the company to manage its reputation. The group is committed to the highest principles of ethical conduct and community interaction. After finalising our listing on the JSE, greater effort will be focused on transformation, being a responsible corporate citizen, sustainability and stakeholder relationships.