



strate

KING IV™ APPLICATION

REGISTER

2020

GOVERNING BODY ROLES AND RESPONSIBILITIES

1. STEERS AND SETS STRATEGIC DIRECTION
2. APPROVES POLICY AND PLANNING
3. OVERSEES AND MONITORS
4. ENSURES CONSISTENCY

PART A: LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 1:

The governing body should lead ethically and effectively.

The Board, individually and collectively, cultivates integrity, competence, responsibility, accountability, fairness and transparency, and exhibits these in their conduct. These behaviours are assessed through a formal evaluation process at least every two years, as stipulated in the Board Charter. Individual members of the Board are held accountable against the results of performance assessments and practice ethical behaviour.

Conflicts of interest, or potential conflicts of interest, are prevented wherever possible, and proactively managed as they arise through transparent disclosure and by following the recusal process set out in the Companies Act, the Board Charter and the Committee Terms of Reference.

The directors have extensive skills, knowledge and experience in order to ensure proper oversight. The Board provides strategic direction, approves relevant policies and monitors performance and adherence to policies, as may be required. The CEO reports to the Board on the business' strategic focus. The Board delegates certain functions to the relevant committees without abdicating accountability. Regular reports and recommendations are received from the committees for Board approval.

Oversight of the ethics of the organisation has been delegated to the Remuneration, Nominations and Social & Ethics Committee for reporting to the Board. A Code of Conduct has been approved and is reviewed regularly.

The Board is satisfied that it exemplifies ethical and effective leadership through the collective and individual behaviours of its members.

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 set the tone for organisational ethics, and the establishment of an ethical culture, throughout the organisation. This has been achieved through the adoption and implementation of appropriate policies. The Board has delegated the responsibility for monitoring organisational ethics to the Remuneration, Nominations and Social & Ethics Committee. Included in Strate's values is the aim to build trust at every level.

The Board is satisfied that awareness of ethical conduct is adequate in respect of the organisation.

A whistleblowing hotline has been set up. Any incidents are reported to the Remuneration, Nominations and Social & Ethics Committee to ensure appropriate investigation and follow up. The whistle blowing policy is being reviewed and will be tabled for Board approval.

GOVERNANCE OUTCOMES

1. ETHICAL CULTURE
2. PERFORMANCE AND VALUE CREATION
3. ADEQUATE AND EFFECTIVE CONTROL
4. TRUST, GOOD REPUTATION AND LEGITIMACY

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PART A: LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 3:

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

Through the adoption of appropriate policies, the Board has set the direction for how corporate citizenship should be addressed. It has delegated the responsibility for monitoring corporate citizenship to the Remuneration, Nominations and Social & Ethics Committee.

As a responsible corporate citizen, Strate is committed to complying with all legislation and regulations, and aspires to apply the relevant codes of good practice. To ensure the Board reflects the demographics of South Africa, diversity targets have been set and are overseen by the Remuneration, Nominations and Social & Ethics Committee.

The Board is satisfied that Strate's core purpose, values and strategy are congruent with it being a responsible corporate citizen and has made transparent disclosures in support of this.

PART B: STRATEGY, PERFORMANCE AND REPORTING

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-creation process.

The Board has reviewed the organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development for relevance and has considered the interconnectivity and interdependence of all factors.

The Board has set the direction for these factors through the approval of the strategy and a process is underway to align the key performance indicators of its executives appropriately. The approved strategy informs the approval of the annual budget as well as business and operational plans set by the executives to achieve the strategy.

During 2020, the Board closely monitored the actions taken to minimise the impact of COVID-19 on the business and took commensurate steps to mitigate negative effects as well as to consider opportunities.

GOVERNANCE OUTCOMES

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PART B: STRATEGY, PERFORMANCE AND 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 is committed to communicating with stakeholders in an open and transparent manner.

Strate voluntarily publishes the Integrated Annual Report to openly communicate matters such as strategy, financial and non-financial performance, value creation, governance structures, focus areas for the reporting period, and future focus areas, among other things.

The Audit and Risk Committee assists the Board in overseeing external reporting and ensuring its integrity. The Board, as a collective, approves the Integrated Annual Report and the audited annual financial statements.

PART C: GOVERNING STRUCTURES AND DELEGATION

Principle 6:

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

The Board acknowledges its role as the focal point and custodian of corporate governance within Strate.

The role, responsibilities and procedural conduct of the Board have been set out and approved in a Board Charter. Committee Terms of Reference and various formal policies reinforce this position. The Integrated Annual Report has disclosed the Board's satisfaction in terms of meeting its responsibilities.

The organisation has undertaken a detailed governance review that included, among other things, the review of Strate's governance framework and a detailed assessment of the level of application of the King IV principles within the business.

The Board notes that governance is not a tick-box exercise and that each entity needs to assess the application of best practice governance principles on a fit-for-purpose basis. The Board is comfortable with the application of the King IV principles and noted the practices where improvements can be made to ensure governance continues to improve year-on-year.

The existing Board Charter, Committee Terms of Reference and work plans align with the Memorandum of Incorporation, relevant legislation and King IV, to the extent possible, in order to achieve the governance outcomes stipulated in King IV. Input from the governance review will be incorporated during 2021.

Meeting attendance, directors' biographies and committee membership is included in the Integrated Annual Report.

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PART C: GOVERNING STRUCTURES AND DELEGATION

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 considers its composition in terms of the balance of its members annually. This is done in conjunction with inputs from the Remuneration, Nominations and Social & Ethics Committee and the formal evaluation processes conducted at Board and committee level.

The Integrated Annual Report has disclosed the independent status of the directors and the appointment of a lead independent director. The Board is satisfied that it has an appropriate balance of knowledge, skills, experience, diversity and independence, given proportionality considerations in respect of the organisation.

Kindly refer to the Integrated Annual Report for the biographies of the Board members together with details of tenure, gender, race and independence. The rotation of directors are stipulated in the Memorandum of Incorporation. The Audit and Risk Committee members are elected annually by the shareholders.

Principle 8:

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

The Board appreciates the need to ensure its efficiency and effectiveness by delegating certain matters to its committees. An appropriate committee structure allows for more comprehensive oversight and monitoring of governance matters. Despite delegation of certain matters to committees, the Board retains full accountability for the oversight of matters within its mandate.

The Integrated Annual Report contains an overview of committee structures, each committee's mandate, focus areas during the reporting period, and anticipated future focus. Formal terms of reference have been established for all committees, with detailed annual work plans in place to ensure each committee meets its objectives and requirements.

The chairperson of each committee reports to the Board on matters dealt with at the committee meetings. To ensure matters are not dealt with in isolation, there is sufficient overlap in the members of each committee.

The Board has considered, and is satisfied with, its committee structure, balance of authority across committees and their reporting standards.

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PART C: GOVERNING STRUCTURES AND DELEGATION

Principle 9:

The governing body should ensure that the evaluation of its own performance and that of its committees, its chairperson and individual members, support continued improvement in its performance and effectiveness.

The Board has finalised performance evaluations for itself and the various committees using best practice methodology. No material deficiencies were identified and the contributions, value and participation of all Board members were satisfactory and positive. The required disclosures regarding this have been made in the Integrated Annual Report.

Principle 10:

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

The Board has reviewed the delegation of authority framework indicating those matters reserved for itself and those delegated to the executive management team to ensure role clarity and to allow for agility within the business.

The Board is satisfied that the organisation is adequately resourced. The CEO reports to the Board and has no extraneous work commitments.

The Remuneration, Nominations and Social & Ethics Committee is responsible for the evaluation of the executive management team's performance according to the approved performance scorecard. This matter has received substantial focus to ensure the executives' performance scorecards are aligned to the strategic objectives and that these are measured on a quarterly basis.

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PART D: GOVERNANCE AND FUNCTIONAL AREAS

Principle 11:

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

Strate operates in a highly regulated environment. For this reason, risk governance receives ongoing oversight at several levels within the organisation.

The Board has set the direction for how risk should be governed through the adoption of appropriate risk policies and frameworks. The Board has delegated the responsibility for monitoring risk to its Audit and Risk Committee. Risks are taken into account for strategy development and in determining key performance indicators. Risks are continually identified, assessed, mitigated and managed through a risk matrix and within the available parameters for risk appetite and risk tolerance.

The Integrated Annual Report contains detailed information on the risks and risk management within Strate.

Principle 12:

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

Given the nature of the organisation's operations, technology and information governance receive high levels of oversight and monitoring. The Board has delegated oversight and monitoring of technology and information projects, risk management, and cyber and information security to the Audit and Risk Committee.

The Audit and Risk Committee is supported by and receives regular reports on information and technology governance from the executives and the head of Technology and Data Management.

Business resilience is addressed through a disaster recovery plan. IT general controls are evaluated as part of the external audit process, with a focus on access to programs and data, change management, IT operations and security practices.

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PART D: GOVERNANCE AND FUNCTIONAL AREAS

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 Board has set the direction for how governance and compliance should be approached and addressed through practical annual work plans, structured agendas and reports from its committees.

As Strate operates in a highly regulated environment, the monitoring of governance and compliance is overseen by the committees based on each mandate, such as the Audit and Risk Committee, Regulatory and Supervisory Committee and the Remuneration, Nominations and Social & Ethics Committee.

There have been no material or repeated regulatory penalties, sanctions or fines imposed on the organisation, the governing body, its members or officers for any contravention of, or non-compliance with, statutory obligations. The Integrated Annual Report contains more detail on compliance 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 Board has set the direction for how remuneration should be approached and addressed through the adoption of appropriate policies. It has delegated the responsibility for monitoring remuneration to its Remuneration, Nominations and Social & Ethics Committee.

The Board has considered its remuneration policy and is satisfied that the organisation remunerates fairly, responsibly and transparently to promote sustainable value creation.

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 for the organisation's external reports.

The Board has set the direction for how assurance services and functions should be approached and has delegated management of these matters to the Audit and Risk Committee, while maintaining overall responsibility and oversight. The Board has considered the resulting internal and external controls and is confident of the integrity of the information used in its reports.

The Audit and Risk Committee report in the Integrated Annual Report contains further information on the assurance functions within the business.

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PART E: STAKEHOLDER RELATIONSHIPS

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.

Even though the key stakeholder groups of the business have been identified, the Remuneration, Nominations and Social & Ethics Committee intends to consider a formal stakeholder management policy for approval by the Board to ensure that the mutual expectations of the business, and its stakeholders, are monitored and managed.

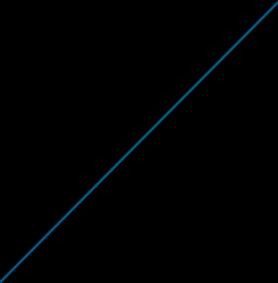
Principle 17:

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

This principle is not applicable to the organisation.

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