

APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2016 (KING IV)

York Timber Holdings Limited (York or the Company) is listed on the Johannesburg Stock Exchange operated by the JSE Limited (JSE). The Company complies with the principles of King IV and the mandatory corporate governance requirements of the JSE.

Paragraph 8.63 (a)(i) of the JSE Listings Requirements stipulates that issuers are required to disclose the implementation of King IV through the application of the King IV disclosure and application regime. For the year ended 30 June 2020, York applied all the principles of King IV as disclosed below.

All page references below are to York's 2020 annual report.

PRINCIPLE 1 LEADERSHIP

The board should lead ethically and effectively.

York's board of directors (the Board) is the governing body and is committed to the good corporate governance principles as set out in King IV. York's values of commitment, integrity, responsibility, innovation and connectivity, guide the behaviour of how everyone goes about their daily duties.

A governance framework is in place between York, as the holding company, and its subsidiaries in terms of which the sub-committees of the Board assume responsibility for the subsidiary companies. Subsidiary companies have considered and adopted the holding company's policy with regards to risk, information and technology, compliance and remuneration. The Board delegates authority to relevant Board committees to ensure that all issues of strategy, performance, resources, standards of conduct and responsible governance are applied.

Refer to pages 17 to 26 for reports by the subcommittees.

PRINCIPLE 2 ORGANISATIONAL ETHICS

The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board determines and sets the tone for York's values and the requirements of being a responsible corporate citizen. The responsibility of monitoring the overall responsible corporate citizenship performance of the organisation was delegated to the Social and Ethics Committee by the Board.

An independent hotline facility is available where employees and affected stakeholders can report any unethical practice anonymously and free from victimisation. The York Timbers Ethics Hotline (the Ethics Hotline) is managed by KPMG. The audit firm operates as an independent channel aimed at bringing any unethical business practices to the attention of management. A variety of initiatives have been put in place to create awareness of ethical conduct requirements and the Ethics Hotline, these include corporate induction for new employees and ethics refresher training at least once a year for all employees. Any incidents of unethical behaviour are investigated and reported to management.

York's code of ethics and business conduct (the code) guides the ethical behaviour of all York employees and directors to ensure that

York maintains the highest level of integrity and ethical conduct. The code is published on the Company's website and incorporated by reference in employee contracts, contractor handbook as well as in employee induction and training programmes.

PRINCIPLE 3 RESPONSIBLE CORPORATE CITIZENSHIP

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

The Board approves the strategy and priorities of the business in accordance with its role of overseeing the Company's conduct as a good corporate citizen. The Board, with the support of the Chief Executive Officer (CEO) 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. This is measured against agreed performance targets that are in support of York's strategic imperatives. The performance targets contain financial and non-financial measures. Non-financial measures encompass the areas of workplace, economy, society and environment so that the Company's core values, strategy and conduct are congruent with it being a responsible corporate citizen.

Refer to page 16 of the annual report on the key focus areas during the reporting period.

PRINCIPLE 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.

The Board is committed to its strategy of delivering value for all stakeholders. The fundamentals in the business are intact, with healthy forests, a talented and experienced management team and workforce to support the strategy.

York sets and achieves its strategic objectives with reference to its risks and opportunities. The Board continuously assesses and responds to both the positive and negative outcomes resulting from its business model. This is depicted on pages 6 to 8.

PRINCIPLE 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.

The Company publishes an annual report every year. It is a stand-alone report that connects information at a high level and, in a complete, concise way, the matters that could significantly affect the Company's ability to create value. The annual report captures the Company's governance, performance and prospects in the context of its external environment. The annual report further includes, *inter alia*, the consolidated and separate annual financial statements. York provides information to stakeholders through the JSE Limited's Stock Exchange News Service (SENS), the media and its website www.york.co.za.

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PRINCIPLE 6 PRIMARY ROLE AND

RESPONSIBILITIES OF THE BOARD

The board should serve as the focal point and custodian of corporate governance in the organisation,

The Board's role, responsibilities, membership requirements and procedural conduct are documented in the Board Charter to guide effective functioning. The Board serves as the focal point and custodian of corporate governance of York.

An appropriate governance framework and the necessary policies and processes are in place to ensure that the Company and its subsidiaries adhere to governance standards.

York's corporate governance practices are disclosed on pages 13 to 16.

PRINCIPLE 7 COMPOSITION OF THE BOARD

The board 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 Committee, 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. The Board has taken steps to strengthen its succession plan to also include an immediate and interim succession plan in the event of an unforeseen event.

Refer to page 12, which reflects York's skilled and experienced Board.

PRINCIPLE 8 COMMITTEES OF THE BOARD

The board 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

Membership of the committees are as recommended in King IV, except in the case of a combined Remuneration and Nomination Committee. When nomination matters are discussed at the combined committee meetings, the Chairman of the Board chairs such discussions.

The Chairman of the Remuneration and Nomination Committee chairs the combined committee meetings when remuneration matters are discussed.

The composition of the committees of the Board and the distribution of authority between the Chairman and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused.

The Audit Committee is satisfied that the auditor is independent as non-audit services are not performed and the auditor firm has been appointed with the designated partner having oversight of the audit. The Chief Financial Officer (CFO) is the head of the finance function and he has two senior managers reporting to him. Internal audit is

fully outsourced and the CFO is responsible for overseeing and coordinating the effective functioning of the outsourcing arrangement. An assessment of the effectiveness of the CFO function is performed annually by the Audit Committee.

Refer to pages 17 to 26 for reports by the subcommittees.

PRINCIPLE 9 EVALUATIONS OF THE

PERFORMANCE OF THE BOARD

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

Performance evaluations of the Board, its committees, the Chairman, individual members and Company Secretary were conducted formally and were not externally facilitated but in accordance with the methodology approved by the Board. The overview of the evaluation results is that there were no issues raised and the contribution, value and participation was considered satisfactory and positive. The skills represented on the Board were also assessed to be well balanced. The Board is satisfied that the evaluation process is improving its performance and effectiveness.

The Company Secretary's performance is also evaluated to ensure that there is an arm's length relationship between the Board and the Company Secretary in that the objectivity and independence of the Company Secretary is not unduly influenced. The Company Secretary's performance is assessed annually and no major issues or concerns have been identified. The Board is satisfied that the Company Secretary and the function that she oversees are performing well.

PRINCIPLE 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.

A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management. The Board is satisfied that York is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

The CEO does not have any work commitments outside of York. A succession plan for the CEO is in place.

PRINCIPLE 11 RISK GOVERNANCE

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

The Risk and Opportunity Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is interrelated to the strategy, performance and sustainability of York. The Risk and Opportunity Committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters.

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The Risk and Opportunity Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of York's operating environment. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.

Refer to pages 6 to 8 for an overview on how the performance, current operations, and future strategic objectives are affected by uncertainties in the operating environment.

PRINCIPLE 12 TECHNOLOGY AND INFORMATION

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

The Risk and Opportunity Committee assists the Board with the governance of information technology. The Board is aware of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of York.

Refer to the Risk and Opportunity Committee report on page 17 regarding technology and information governance.

PRINCIPLE 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

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on the Company, members of the Board or prescribed officers. There were no findings of non-compliance with environmental laws or criminal sanctions and prosecutions for non-compliance.

PRINCIPLE 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.

York remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.

Refer to the Remuneration and Nomination Committee report on pages 19 to 23.

PRINCIPLE 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 report.

The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.

Refer to information on assurance contained in the Audit Committee's report on pages 25 to 26.

PRINCIPLE 16 STAKEHOLDERS

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

The various stakeholder groups that the Company engages with play a vital role in achieving the Company's objectives.

York's continued and committed engagement includes strengthening stakeholder relationships and promoting connectivity. The Company's engagement with the community in which it operates includes assisting in service delivery to secure basic needs of our staff and communities.

All Company-related matters are regulated by the JSE and communicated through SENS announcements. Shareholders vote on key important issues affecting the Company at the annual general meeting, which is held after the financial year-end.

York actively engages with several academic and research institutions on key focus areas in innovative forestry management developments, particularly relating to technology advancements and improved productivity.

York's commitment to its employees is to have a healthy and supportive workforce. This is demonstrated by listening to individual concerns and addressing issues raised. The objective of increased communication is to promote a positive industrial relations climate and improved employee relationships.